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GOVERNING BOARD
UNIVERSITY OF PUERTO RICO

CERTIFICATION NUMBER 77
2020-2021

I, Mayra Olavarría Cruz, Secretary of the Governing Board of the University of
Puerto Rico, DO HEREBY CERTIFY THAT:

The Governing Board, in its ordinary meeting held on March 25, 2021, approved an
the UNIVERSITY OF PUERTO RICO FISCAL PLAN, for years 2021-2026.

IN WITNESS WHEREOF, issued under the seal of the University of Puerto Rico,
this March 25, 2021.



Mayra Olavarría Cruz
Mayra Olavarría Cruz
Secretary

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UNIVERSITY OF PUERTO RICO

Fiscal Plan for 2021

Committed to the Sustainability of the UPR

March 26, 2021

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These factors can be overly complex, may vary from one fiscal year to the next and are frequently the result of actions taken or omission of action thereof, not only by the UPR, but also by Financial Oversight and Management Board for Puerto Rico and other third-party entities, such as the Government of the United States.

Examples of these factors include, but are not limited to: – The effect of the Coronavirus Disease 2019 (“COVID-19”) on the health and well-being of the people of Puerto Rico; – The short-term economic effects of COVID-19 on the global economy and the economy of the United States and Puerto Rico as it relates to Puerto Rico’s tax revenue and budget; – The longer-term economic ramifications from behavioral changes caused by COVID-19 (i.e., reduced travel, increased work and study from home, reduced activity in large gathering places, etc.); – The amount of federal aid and the efficacy and speed of disbursement of such aid; – The need to shift resources to create a more resilient structure to prevent or mitigate future pandemics; – The amount and timing of receipt of any distributions from the Federal Emergency Management Agency (“FEMA”), Federal Department of Housing and Urban Development (“HUD”)’s Community Development Block Grant-Disaster Recovery (“CDBG-DR”) Program and private insurance companies to repair damage caused by Hurricanes Irma and Maria; – The amount and timing of receipt of any additional amounts appropriated by the United States government to address the funding gap described herein; – and

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unpredictability of these factors, their impact cannot be included in the assumptions contained in this document. Future events and actual results may differ materially from any estimates, projections, or statements contained herein. Nothing in this document should be considered as an express or implied commitment to do or take, or to refrain from taking, any action by the University of Puerto Rico, the Government, or any government instrumentality in the Government or an admission of any fact or future event.

Nothing in this document should be considered as an express or implied commitment to do or take, or to refrain from taking, any action by UPR, the Government, or any instrumentality in the Government or an admission of any fact or future event. Nothing in this document shall be considered a solicitation, recommendation, or advice to any person to participate, pursue, or support a particular course of action or transaction, to purchase or sell any security, or to make any investment decision. By receiving this document, the recipient shall be deemed to have acknowledged and agreed to the terms of these limitations. This document may contain capitalized terms that are not defined herein or may contain terms that are discussed in other documents or that are commonly understood.

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Message from the President of the Governing Board

To all University's Stakeholders,

We hereby present the University of Puerto Rico Fiscal Plan for 2021 to be submitted to the Financial Oversight and Management Board ("FOMB").

The Fiscal Plan for 2021 is *Committed* towards compliance, fiscal and financial responsibility, and providing a long-term path towards *the Sustainability of the UPR*. The initiatives cover all administrative actions, initiatives and pending fiscal and financial matters that provide a firm resolution to the University's short- and long-term matters. The plan also provides evidence of the University's fiscal initiatives and performance for the past four years.

There is no doubt that we are presenting this fiscal plan at a time of tremendous disruption and challenges. The COVID-19 pandemic has forced the University to drastically change its student life experience and to invest heavily in a new distance learning system. Considerable uncertainty is in front of us, but we are meeting the challenges with all the support of our faculty and staff. The UPR will outlast the pandemic and will emerge from this painful time with clear direction towards the future. Pressure tested in face of these challenges, our new Fiscal Plan for 2021 must be our path forward.

We already have a strong foundation, thanks in large part to our remarkable faculty, staff, students, alumni, and supporters. At the same time, we recognize that there is an increasing urgency for the University to ensure its future sustainability, financially, operationally, and academically. We have a moral obligation to those who will come after us, and we must act decisively and selflessly to preserve all the University of Puerto Rico.

UPR's future must be defined and driven by an unwavering commitment to our students, employees, retirees, and the structures—physical, administrative, curricular, and financial—that will foster their success and sustainability. Such commitment is founded in the overarching principles of the Institution's vision, mission, values, and core goals.

The enactment of the PROMESA Law, the devastation of the 2017 hurricanes with the subsequent events of the 2020 earthquakes, and the unpredictable reality of the COVID-19 pandemic have tested the soundness of the institution. Time and again, the University has displayed resilience and deep obligation to strive upon disruption. Even amid uncertainty, we are committed and confident that, together as a community, we will emerge stronger as an institution whose mission has never been more vital.

Sincerely,

Eng. Emilio M. Colón
President of the Governing Board of the University of Puerto Rico

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1. Executive Summary

The University of Puerto Rico (“UPR”, or the “University”) continues its rich legacy of education, research, service, and cultural contributions that supports Puerto Rico’s socioeconomic development and individual mobility. The UPR provides high-quality and globally recognized education among fields including Arts, Sciences, Technology, Medicine, Architecture and Law, as well as Engineering and Agriculture. UPR’s administration has addressed multiple fiscal and academic issues including academic curriculum improvements, enrollment challenges due to the Island’s declining population, physical and technology infrastructure, maintenance, and operational efficiencies. UPR is shifting its decision-making processes to address its evolving context in terms of pension plan funding, declining government funding and debt.

To lower the financial burden on the Government and encourage sound fiscal self-management, between FY’17 and FY’20, central Government reduced appropriations to UPR by over \$333 million or 40%. As a result, the University improved its operational efficiency, reduced its costs and expenditures, and diversified its revenue sources, including tuition income.

Since its first fiscal plan in 2017, the UPR has steadily implemented measures that improve its fiscal sustainability, as well as its global reputation and rankings, thus maintaining its position as the premier university in Puerto Rico across a wide variety of metrics. In four years, the UPR went from a staggering position #62 in Quacquarelli Symonds to #37 in 2020-2021 among Latin American universities.

The University is creating a data-based strategic planning culture with a community-inclusive process. Decision making and resource allocation is based on data analysis, community participation, process evaluation, digitization, and strengthening campus administration and autonomy. These processes comply with the Middle States Commission on Higher Education (“MSCHE”) accreditation standards. For instance, the new evaluation of undergraduate programs resulted in the review of 26 programs across 6 campuses. This program assessment is aligned with the Federal Department of Education’s policy, which annually publishes opportunities to address graduation and retention rate challenges for Hispanic Serving Institutions. It also allows the UPR to accelerate its ability to address the demands created by the 21st century labor market and other student professional development.

The Financial Oversight and Management Board (“FOMB”) has certified five fiscal plans since 2017, to provide the most updated information in the process of certifying an annual budget. In accordance with PROMESA, the UPR Fiscal Plans, outline a direct path to achieve fiscal sustainability and maintain access to capital markets. Continuing with the priorities outlined in prior certified fiscal plans, the UPR Fiscal Plan for 2021 includes six core elements centered largely around improving operations and increasing revenues, while maintaining UPR as an accessible public university system:

- Operational efficiencies: UPR’s existing operational model, with 11 autonomous campuses and numerous historical complexities, could benefit from administrative uniformity and shared resources. The current administration’s philosophy is to increase the fiscal accountability and responsibility, as well as efficiency and productivity through its new budgetary model. For instance, the UPR Fiscal Plan for 2021 identifies personnel and non-personnel efficiencies to ensure that all campuses remain operational while investing in core faculty.

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- Revenue enhancement: The UPR Fiscal Plan for 2021 capitalizes on opportunities to increase revenue from increase in tuition, non-tuition sources such as federal grants and awards and ancillary service fees for providing training to external institutions.
- A new budget model: The University has developed a new budget model that promotes revenue increases and costs reductions. Under this new model, graduate tuition revenues, a portion of undergraduate tuition, indirect costs and other revenues are assigned to the campus where they are generated. Amid reduced Central Government appropriations, its administration has managed to produce operational budgets that consistently range from \$1.2 billion to \$1.3. However, a significant portion of identified complementary income sources carry restrictive limitations in their use and are not recurrent in nature, thus they are not available for operational needs. Notwithstanding, the administration has managed to achieve performance efficiencies in its academic programs throughout all its units without jeopardizing its academic excellence, nor considering employment layoffs over a highly stressed operational budget.
- Transformation of exemptions into a new model of financial assistance: During FY'20, tuition exemptions underwent a transformation to a need-based financial assistance model. This process was implemented throughout all campuses as established by Certification 4 of 2019-2020 by the University's Governing Board; it was later amended by Certification 5, 47 and 75 of the same year. With this new model, a total of 79.1% of undergraduate students had their tuition expenses covered by a combination of institutional and federal funding.
- Pension reform: A combination of internal and external factors have resulted in the liquidity and sustainability challenges faced by UPR's Pension fund, which currently has ~70% in unfunded pension liabilities. University and participant contributions were originally designed to fund the service cost on a current basis and the accrued benefit cost attributable to qualifying plan participants. As a result of increasing benefits without a correlative increase in employer's contributions, the University's current funding capacity to cover the existing Retirement System benefits falls short. The UPR Fiscal Plan for 2021 outlines options to ensure pension obligations can be paid without requiring higher revenues or reduced benefits.
- Fiscal governance and controls: The University has overcome numerous historical challenges to maintain its current standing as the Island's leading higher education institution. Audited financial statements are now published in timely manner, and it was removed from its "show cause" standing with the MSCHE – maintaining its accreditation for all 11 campuses. During these processes, management enhanced its fiscal governance for revenue collection, and improved reporting to ensure accountability, transparency, empowerment, and responsiveness. The University is also in the process of acquiring and implementing its first Enterprise Resource Planning ("ERP") system to support these activities.

The UPR Fiscal Plan for 2021 also considers the impact of the COVID-19 pandemic and how it has reshaped the operations of the University. As discussed herein, COVID-19 pandemic will continue to present unprecedented humanitarian and fiscal setbacks that challenge the University to transform its academic offering and daily operations.

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2. Institutional Background

The University of Puerto Rico, founded in 1903, is a state supported university system created by Act No. 1 of January 20, 1966, “Law of the University of Puerto Rico” (“Act No. 1”), as amended, with the mission to serve the people of Puerto Rico and contribute to the development and enjoyment of the fundamental, ethical, and esthetic values of Puerto Rican culture, committed to the ideals of a democratic society. To advance its mission, the University strives to provide high quality education and create new knowledge in the Arts, Sciences, and Technology. The University is a public corporation of the Government of Puerto Rico (the “Central Government”).

2.1 The University of Puerto Rico System

The University is the oldest and largest institution of higher education on the Island with a history of academic excellence and comprises 11 campuses located throughout the Island. For FY’21, the University has approximately 4,500 professors and researchers, 46,000 students (as of February 2021), and thousands of alumni that honor the Island with their intellectual and professional contributions at the local and international level. The University of Puerto Rico currently offers 32 associate degrees, 231 bachelor’s degrees, 118 master’s degrees, 15 graduate certificates, 7 professional level degrees, 35 doctoral degrees and many continuing education courses and programs. During the past decade, the University has focused on developing the graduate level; conferring over 700 PhD’s in the last five years, 50% of which are in Science and Technology.

The organizational structure includes a Governing Board, a University Board, a President, an Executive Vice President of Academic and Research Affairs, a Vice President of Student Affairs, a Vice President of Professional Programs and Distance Learning, a Vice President of Philanthropy, and a Vice President of External Resources. Each campus has a Chancellor, a Dean of Academic Affairs, a Dean of Students, a Dean of Administration, a Dean or Director for each college or school, and Río Piedras and Medical Sciences, a Dean of Research. All units have institutional accreditation by the MSCHE and the required program accreditations allowing students to continue graduate studies in the United States or in other countries. The University has an ample research agenda and professional exchange programs with over 120 institutions of higher education at the international level.

2.2 The University of Puerto Rico Campuses

The University system includes all its campuses: Río Piedras, Mayagüez, Medical Sciences, Aguadilla, Arecibo, Bayamón, Carolina, Cayey, Humacao, Ponce, and Utuado, as well as its Central Administration.

UPR Campus Profile

Campus	FY'21 Students	Faculty ¹	Non-Faculty ¹
UPR Río Piedras	13,286	1,173	1,290
UPR Mayagüez	12,343	798	1,546
Medical Science	2,180	1,166	1,202
UPR Aguadilla	2,645	148	188
UPR Arecibo	2,944	215	227
UPR Bayamón	2,297	221	225
UPR Carolina	3,255	181	185
UPR Cayey	3,399	165	275
UPR Humacao	2,442	243	282
UPR Ponce	2,258	189	196
UPR Utuado	511	67	124
Total	45,557	4,566	5,740

Roster as of 02/28/21

1: Faculty includes - Administrative, and Research and Investigation Faculty

The **Río Piedras Campus** (the “UPR-RP”) was established in 1903. It is a comprehensive doctoral institution and the oldest and most complex unit in the UPR system. Its academic offerings include 65 undergraduate programs. The graduate offering includes 41 master’s degrees, 15 PhDs, three Ed.D., and international programs in Law, at both Master of Laws (“LLM”) and Juris Doctor (“JD”) levels. The UPR-RP serves over 13,286 students; comprises a faculty of 1,173 members, of which 84% hold the highest degrees conferred by universities all over the world and employs 1,290 non-faculty workers.

The **Mayagüez Campus** (the “UPRM”) was established in 1911 as a land-grant institution committed to teach agriculture, military tactics, and mechanic arts, as well as classical studies. The UPRM offers 104 academic programs: 54 bachelor’s degrees, 42 master’s degrees and 8 PhDs. It serves 12,343 students; comprises a faculty of 798 professors and employs 1,546 non-faculty workers. All six of its engineering bachelor’s degree programs are accredited by the Accreditation Board for Engineering and Technology (“ABET”). In addition, the UPRM offers a Teacher Preparation Program, accredited by The National Council for Accreditation of Teacher Education (“NCATE”), now known as the Council for the Accreditation of Educator Preparation (“CAEP”). Students of this program consistently score among the highest grades in the teacher certification exams.

The **Medical Sciences Campus** (the “UPR-MS”) was established in 1924 as the School of Tropical Medicine affiliated with Columbia University. It comprises the Schools of Medicine, Dental Medicine, Public Health, Pharmacy, Nursing, and Health Professions, and has 61 academic offerings, including 8 associate and bachelor’s degrees, 5 professional doctoral degrees, 30 masters, 5 postgraduate certificates, and 11 doctoral programs. It serves 2,180 students. Besides teaching and service, the UPR-MS is also engaged in numerous research projects, many of which are funded by the National Institutes of Health (“NIH”) and its subdivisions fueled in part by seed money from infrastructure building programs such as

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the Minority Biomedical Research Support ("MBRS") and the Research Centers in Minority Institutions ("RCMI").

The **Aguadilla Campus** (the "UPRAg") was founded in 1972 and offers 15 bachelor's degrees, 2 associate degrees, and 26 articulated transfer programs to other UPR campuses. UPRAg has embraced the Strategic Initiative that all programs and services subject to professional accreditation, should pursue accreditation. Campus programs have received certification from CAEP, the Association of Collegiate Business Schools and Programs (ACBSP), the Accreditation Board for Engineering and Technology (ABET), and the International Association of Counseling Services (IACS) to name a few. These professional evaluations and accreditations are substantial in helping us to improve continuously, enhance our assessment culture, strengthen program evaluation, and solidify our compliance with MSCHE standards. For the first semester 2020-21, UPRAg served 2,645 students, 148 faculty members and 188 non-faculty employees.

The **Arecibo Campus** (the "UPRA") was established in 1967 and it offers 17 programs conducive to a degree, 14 bachelor's degrees, three associate degrees, a post-baccalaureate degree and seven articulated transfer programs. The academic programs stand out for being innovative, competitive, and relevant. Courses are offered in several traditional and non-traditional modalities such as: experiential learning, learning communities, and distance education. Academic excellence is evidenced by thirteen programs accredited by specialized accreditations. Through its Division of Continuing Education and Professional Studies (DCEPS), it also offers professional development opportunities to the internal and external communities. Student enrollment at UPR-Arecibo for academic year 2020-2021 is 2,944 students with 215 faculty members and 227 non-faculty employees.

The **Bayamón Campus** (the "UPRB") was established in August 1971 as a community college and was part of the Regional Colleges Administration. In 1998, the UPRB became an autonomous campus within the UPR System. It is focused on the fulfillment of the growing academic needs of the region. The institution offers academic programs in technology, business, science, and education. Its four-year programs include: Accounting (BBA), Computer Science (BCS), Electronics Engineering Technology (BS), Finance (BBA), General Biology (BS), Human Biology (BS), Management (BBA), Marketing (BBA), Materials Management (BMM), Office Systems (BOS), Preschool and Elementary Education (BED), Special and Elementary Physical Education (BED). Also, the UPRB offers coordinated articulated academic transfer programs in several academic disciplines, including the liberal arts, through agreements with other UPR campuses. The corresponding professional accreditation agencies accredit all UPRB's academic programs susceptible to accreditation. Enrollment at the UPRB for Fall 2020 is 2,297 students with 221 faculty members and 225 non-faculty employees.

The **Carolina Campus** (the "UPRCA") was founded in 1974. It serves 3,255 students. It offers 13 undergraduate majors, 5 associate degrees, as well as 19 transfer programs. It offers three Professional Accredited programs in Office Systems, Business Administration, and Hotel and Restaurant Administration. The UPRCA is the only campus within the UPR System that operates under a quarter term calendar system. Typically, students obtain their bachelor or associate degrees in a shorter period. The student body is served by a faculty of 181 professors and 185 non-faculty employees.

The **Cayey Campus** (the "UPR-Cayey") was established in 1967 and offers 24 bachelor's degrees in five academic areas: Teacher Preparation (11), the Natural Sciences (4), Social Sciences (4), Humanities (4), and Business Administration (4). It serves 3,399 undergraduate students with 165 faculty members and 275 non-faculty employees. UPR-Cayey is the third institution in Puerto Rico with the highest number of

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applicants to medical schools, ranked between third and fourth institution in Puerto Rico with the highest number of students that completes a PhD in Science, Technology, Engineering, and Mathematics (STEM) programs during the last decades. Moreover, UPR-Cayey follows UPR-Rio Piedras and UPR Medical Campus as the third UPR institutions with the highest amount of NIH funds, providing our students a competitive advantage when filing their graduate school applications.

The **Humacao Campus** (the “UPRH”), founded in 1962, is a public undergraduate institution classified as a Bachelor/Diverse: Baccalaureate Colleges-Diverse Fields by the Carnegie Foundation for the Advancement of Teaching. UPRH is the only UPR campus with a presence in the eastern region of PR. In 2018, UPRH provided 5 service to 17% of the island’s population that extends beyond our target area, including the islands of Vieques and Culebra. Forty-eight percent of our students are below the poverty line that results in UPRH being a vital component in the economic and social development of the eastern region. The UPRH serves 2,442 students with 243 faculty members and 282 non-faculty employees.

The **Ponce Campus** (the “UPRP”) Established as Ponce Regional College in 1969 and first accredited by Middle States in 1970, UPR-Ponce was originally authorized to offer associate degrees and transfer programs but added several baccalaureate degree programs beginning in the 1980s. Five of UPR-Ponce’s academic programs are unique in Puerto Rico: Athletic Therapy Sciences, Psychology and Mental Health, Forensic Psychology, Biomedicine, and Civil Engineering Technology in Architectural Delineation. Total headcount enrollment for academic year 2020-2021 is 2,258. The student body is served by 189 faculty and 196 non-faculty staff members with an average student/faculty ratio of 12:01. All its academic programs susceptible to accreditation are accredited or in process of reaccreditation by the following agencies: ACBSP, ABET, the American Physical Therapy Association (APTA), Commission on Accreditation in Physical Therapy Education (CAPTE), and the Council for the Accreditation of Educator Preparation (CAEP).

The **Utuado Campus** was created in 1978 and it offers two-year agricultural programs. It offers 4 bachelor’s degrees and 6 associate degrees. UPR-Utuado holds specialized accreditation by the NCATE, the ACBSP, and includes a Learning Resource Center certified by the Association of College Research Libraries (ACRL) since 2008. Aligned with our institutional mission, UPR-Utuado has academic programs dedicated to the economic and cultural needs of the region. It serves 511 students, with 67 faculty members and 124 non-faculty members.

2.3 University Component Units

The University of Puerto Rico has several component units which are separate legal entities from the University. For each entity, the University appoints a majority of these organization’s board members, can impose its will on those entities, or there is a financial benefit/burden situation with these entities. Among the active Component Units are the following:

2.3.1 Desarrollos Universitarios, Inc.

Desarrollos Universitarios, Inc. (“DUI”) is a legally separate entity from the University and a nonstock corporation governed by a separate board. DUI was organized on January 22, 1997, under the laws of the Commonwealth of Puerto Rico as a not-for-profit organization. DUI was organized to develop, construct, and operate the academic, residential, administrative, office, commercial, and maintenance known as Plaza Universitaria. This mixed-use complex consists of a student housing facility, a multi-story parking building and an institution building to house administrative, student service and support functions, and, to a lesser

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extent, to lease commercial space. DUI is fiscally dependent on the University and its debt is expected to be repaid entirely or almost entirely from University resources.

2.3.2 Servicios Médicos Universitarios, Inc.

Servicios Médicos Universitarios, Inc. (the “Hospital” or “SMU”) is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. The Hospital is a not-for-profit acute care corporation, organized under the Laws of the Commonwealth of Puerto Rico, on February 11, 1998, to operate and administer healthcare units. The principal objectives of the Hospital are to constitute it as the principal medical education institution of the University and to offer healthcare services to the residents of Puerto Rico. The University appoints a voting majority to the Hospital board and is also financially accountable for the Hospital.

2.3.3 University of Puerto Rico Parking System, Inc.

University of Puerto Rico Parking System, Inc. (“UPRPS”) is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. UPRPS was organized on May 5, 2000, under the laws of the Commonwealth of Puerto Rico, as a not-for-profit organization. UPRPS was organized to operate the parking facilities of the University system. UPRPS currently operates Plaza Universitaria, as well as the parking facilities of the Medical Sciences and Río Piedras campuses. The University appoints a voting majority of UPRPS board and is also financially accountable for UPRPS.

2.3.4 Materials Characterization Center, Inc.

Materials Characterization Center, Inc. (“MCC”) is a legally separate entity from the University and a nonstock corporation that is governed by a separate board. MCC was organized on April 15, 1999, under the laws of the Commonwealth of Puerto Rico, as a not-for-profit organization. MCC was organized to provide a much-needed accessible and reliable center to characterize materials chemically and physically from the pharmaceutical as well as other manufacturing endeavors. MCC is administrated in conjunction with the College of Natural Sciences of the Río Piedras Campus of the University. The University appoints a voting majority of MCC board and is also financially accountable for MCC.

2.3.5 Molecular Science Research Center, Inc.

Starting in FY’20, the Molecular Sciences Research Center, Inc. (“MSRC”) functions as a separate component unit of the University. Previously, this component unit operated as a part of the University. MSRC is a not-for-profit corporation, organized under the Laws of the Commonwealth of Puerto Rico, on March 23, 2011, to operate and administer the University’s Molecular Science Building (“MSB”). MSB is an advanced research facility of the University with laboratories conducting basic and translational biomedical research in the areas of protein structure and dynamics, molecular biology, genomics, proteomics, bio-imaging, pharmacogenetics, and neurosciences. The MSRC is the University System’s first multidisciplinary environment, designed to meet the needs of cutting-edge research in Puerto Rico.

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3. Challenges Facing the Institution

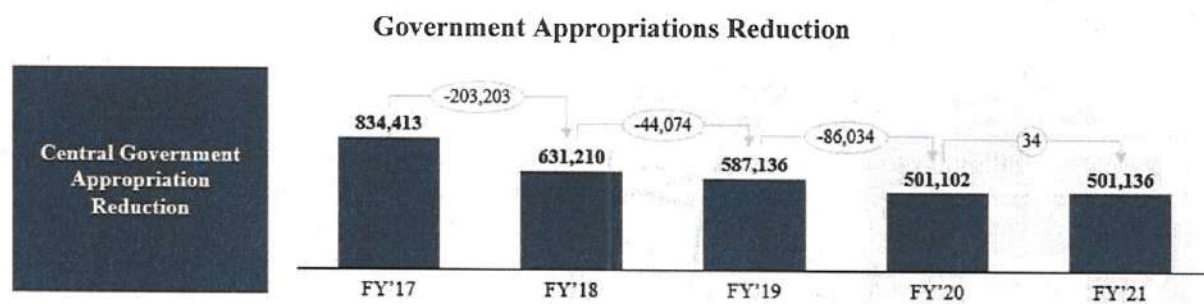
The UPR Fiscal Plan for 2021 pursues a continued fiscal balance for the University, while serving the community and residents of Puerto Rico. Similar to other public universities in the U.S. Mainland, the UPR faces several fiscal and demographic challenges:

- Reduction in Central Government appropriations to the University,
- Impact of natural disasters on University infrastructure,
- Response to the COVID-19 pandemic,
- Decline in enrollment considering Island demographic shifts,
- The solvency of its Retirement System,
- A declining institutional reserve fund

3.1 Decrease in Central Government Appropriations

Between FY'17 and FY21, Central Government appropriations to the UPR were reduced by \$333 million or 40%. Notwithstanding the fiscal adjustments made by the UPR Central Administration, the University has delivered operational budgets to the FOMB that consistently range between \$1.2 to \$1.3 billion over the previous fiscal years. While improving its alternative revenue sources (e.g., greater institutional revenues and federal grants), the administration has managed to achieve various performance efficiencies while sustaining its academic programs across all units.

In its 2021 Fiscal Plan (submitted on March 9, 2021), the Central Government proposed no future reductions to UPR appropriations – thereby fixing annual appropriations at ~\$560 million.



Analysis published by the Chronicle of Higher Education, based on data on revenue reported by institutions to the Federal Department of Education's Integrated Postsecondary Education Data System for the fiscal years 2002 to 2018, provides a list of over 1,500 Public Colleges' state support indicators. This report shows that the UPR would be the 9th institution (out of over 1,500) with the largest reduction in state support over a ten-year period. Additionally, the analysis published shows that the current Government Appropriations and /or State Support (of approximately 42% in FY'21, compared to 70% in FY'17) would place the UPR under the 50% percentile of the 1,500 institutions being evaluated.

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Benchmarking completed by the Pew Charitable Trust, based on data published by the Office of Management and Budget, shows that for FY'17 State Higher Education spending represented 9.8% of total General Funds. Compared to the UPR's 5.6% of total General Fund budget for FY'21.

State Higher Education Funding Benchmarks				
(in billions \$)	Benchmark		PR FY'21 GF	
Elementary and secondary education	283.00	35.7%	2.50	24.8%
Medicaid	156.00	19.7%	0.05	0.5%
Higher Education	78.00	9.8%	0.56	5.6%
Corrections	53.00	6.7%	0.43	4.3%
Public Assistance	9.00	1.1%	1.27	12.7%
Transportation	5.00	0.6%	0.15	1.5%
All Other	209.00	26.4%	5.09	50.6%
Total	\$793.00		\$10.05	

3.2 Impact of Natural Disasters and Infrastructure Investment

Infrastructure and permanent buildings, site improvements, and maintenance projects are a priority for the UPR Administration. The Capital Improvements Program is dynamic, and projects are an opportunity to improve the image and technologies of the institution. Recent events, such as the 2017 hurricanes, the 2020 earthquakes, and the COVID-19 pandemic have brought about new challenges to the existing infrastructure. Among those challenges are upgrades to the existing technological infrastructure to support the UPR's vision as a leader in technology available to university students. New financing funds allocated to the UPR, as those assigned by the Federal Emergency Management Agency ("FEMA") or obtained through federal grants and other financing means allow the UPR to establish and enhance a recovery plan focused on addressing the physical damages to the UPR.

For effective project development, the University had to create a transformation culture based on the following pillars: efficient project management strategies, implementation of technology in project administration, energy saving project strategies, construction resiliency planning, amendments to contracting and bidding regulations to allow agility in project execution. This has been possible with funding assignments from the Office of Institutional Transformation.

During FY'17, just prior to Irma and María hurricanes, UPR's capital expenditure budget totaled \$71 million. To-date, UPR's FY'22 accumulated budget exceeds \$285 million in nominal terms. The impact of both hurricanes in 2017 brought the UPR over \$132 million in recovery assistance to help resolve the damages to the UPR's infrastructure. Currently the UPR has include twenty-seven (27) FEMA projects with funds that have been approved with a total investment of \$110 million.

Meanwhile, the University manages all other capital improvements projects through institutional, federal, or Central Government funds. In summary, UPR manages a total of 295 (103 have been approved) projects that total budget of \$455 million (FEMA and other funds).

Significant progress is visible in projects programmed and completed between FY'18 and FY'21. To-date, 147 projects are in different planning phases, whereas in FY'18, only 85 were included in the capital plan. The Board of Awards of the UPR currently has 15 projects scheduled for public notice and/or final bidder selection for FY'21, and 8 projects are in the contract process. These 8 projects by themselves represent an investment of \$32 million.

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3.3 University Response to the COVID-19 pandemic

Despite the unprecedented challenges presented by the COVID-19 pandemic, the UPR responded swiftly and proactively. Within 10 days of the Governor's Executive Order on March 15, 2020 instituting a full lockdown, the University successfully converted nearly 100% of its in-person courses online, while in compliance with all state, federal and accreditation agencies.

The University found itself in a situation where it had to balance a sharp reduction in revenues, while incurring in new expenditures (e.g., personal protective equipment, improved ventilation systems, sanitizing stations, disinfecting wipes and IT-related purchases for remote instruction, among others). Nevertheless, the UPR managed to realize savings during the pandemic (e.g., travel expenses), thus lessening the impact on its operational budget.

Thus far, the University will assume a hybrid instruction model for the first semester of the 2021-2022 academic year. Under this scenario, the University assumes most courses continue remotely throughout the summer, with a hybrid class model in the first semester. All in-person classes will strictly comply with CDC and Puerto Rico Health Department recommendations. The University's 11 campuses are planning for limits in class size among other control measures.

In addition to CDC guidance for higher education institutions, the UPR is looking to guidelines from comparable large public university systems for best practices. The UPR President has informed Chancellors that personnel from all offices should be ready to return to in person operations by the end of March 2021. This means that all campuses and Central Administration services will be provided in person.

The UPR Medical Sciences campus has a graduate school of Public Health with sub-specialties in Epidemiology, as well as direct support from the Federal Department of Education. Therefore, it has the foundation and necessary resources to effectively implement a plan tailored to the current reality in Puerto Rico. Such additional resources and measures exceed protocols already in place and approved by MSCHE.

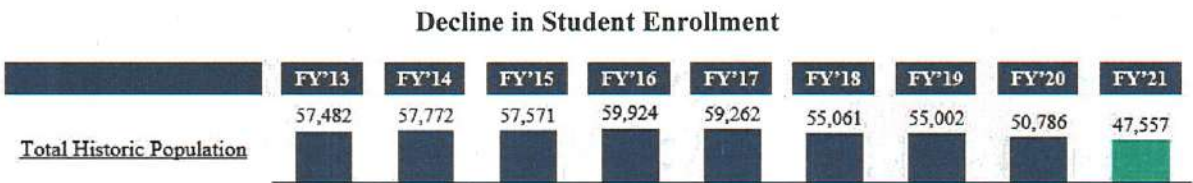
The University's access to CARES Act funds during 2020 provided much-needed relief from the economic impact of the COVID-19 pandemic. UPR students received \$40.5 million in grants aimed at facilitating the purchase of technology and materials for remote learning. Likewise, another \$40.5 million were assigned to the institution to cover necessary improvement in both physical and technological infrastructure impacted by the pandemic. Campuses have been realizing the necessary improvements for funds to be reimbursed accordingly. To-date, each campus has developed health and safety protocols for in person operations.

The UPR has played an important role in serving the community during this pandemic. On multiple occasions, the University has collaborated with the Central Government in mass COVID-19 testing exercises taking place throughout its campuses. Additional services provided during the pandemic include tutoring provided by University students to Department of Education K-12 students in need (through expanded scope of technical services within the Trainings and Seminars Program), medical services for UPR students covering both physical and mental health, as well as student related offices, among others.

3.4 Decline in Student Enrollment

The University has experienced a steady decline in student enrollment over the past decade. Various demographic factors have influenced this outcome. Between 2005 and 2018, for example, the Island population decreased by ~500,000 primarily due to outmigration. As a result of 2017's Hurricane Maria

alone, approximately 5% of the population relocated outside the Island with another 1.2% projected to leave annually on average from FY'21 to FY'26. Demographics are also shifting, with the median age on the Island projected to rise from 42 in FY'18 to 53 by FY'49. In response to these realities, the UPR established a systemic work plan to strengthen the student recruitment strategies at local, national, and international settings.



The UPR Fiscal Plan for 2021 projects a drop of 5.2% through FY'23 driven largely by demographic shifts on the Island previously mentioned. Regardless of lower enrollment, the UPR is experiencing an increase in admission applications for the 2021-2022 academic year. The University expects freshman enrollment to remain similar to the previous year proving the educational consistency and attractiveness of the UPR. Even with Island demographics, the UPR has increased its market share of undergraduate enrollment from 29.5% in FY'18, 31.1% in FY'19. The market share of high school students applying to the UPR has increased from 31% in FY'18, 35% in FY'19 to 43% in FY'20. The current recruitment plan aims to continue increasing this market share, while targeting greater of out of state and international students' enrollment.

A more precise observation related to enrollment is the tendency to drop between first and second semester. The decrease between semesters was 9.9% in FY'18, 10.4% in FY'19 and 6.2% in FY'20. This reduction in enrollment does not mean that UPR students have abandoned their studies. A considerable number complete their graduation requirements during the first semester. Moreover, the admissions process for undergraduate first-year students takes place prior to the first semester of the academic year. The decrease in undergraduate admissions for the second semester is minimal and is mostly for graduate students.

1 st & 2 nd Semester Comparison (UPR vs. FOMB)									
Campus	Projected 1 st Semester FY'21	Actual 1 st Semester FY'21	Variance	Projected 2 nd Semester FY'21	Actual 2 nd Semester FY'21	Variance	Projected Average FY'21	Actual Average FY'21	Variance
Rio Piedras	13,705	13,892	187	12,845	12,679	(166)	13,275	13,286	10
Mayaguez	12,469	12,825	356	11,690	11,861	171	12,079	12,343	264
Medical Science	2,513	2,218	(295)	2,423	2,142	(281)	2,468	2,180	(288)
Cayey	2,750	2,773	23	2,566	2,516	(50)	2,658	2,645	(13)
Humacao	3,069	3,106	37	2,831	2,781	(50)	2,950	2,944	(6)
Aguadilla	2,634	2,444	(190)	2,382	2,149	(233)	2,508	2,297	(212)
Arecibo	3,381	3,414	33	3,183	3,095	(88)	3,282	3,255	(28)
Bayamón	3,755	3,592	(163)	3,372	3,205	(167)	3,564	3,399	(165)
Carolina	2,874	2,580	(294)	2,622	2,303	(319)	2,748	2,442	(307)
Ponce	2,422	2,382	(40)	2,207	2,134	(73)	2,315	2,258	(57)
Utuado	644	554	(90)	532	468	(64)	588	511	(77)
Total	50,215	49,780	(435)	46,654	45,333	(1,321)	48,435	47,557	(878)

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Regardless of these trends, the UPR has been implementing system-wide efforts to improve student retention. As a result, retention rates have been steadily increasing between FY'17 (79%) and FY'20 (81%). A "Retention Committee" comprised of campus representatives meets regularly to identify variables that affect persistence, retention, and graduation rates and develop novel solutions for continuous improvement. It is important to mention that during FY'20, tuition exemptions were transformed to a new need-based economic assistance model. With this new model, a total of 79.1% of undergraduate students had their tuition expenses covered during the academic year 2020-2021 through a combination of institutional and federal funding.

3.5 The Solvency of the Retirement System

The latest UPR Audited Financial Statement, under GASB 67 & 68 reveal that 70% of the pension plan is unfunded. This reality prompted the University to consider possible employer contributions beyond the actuarial requirements. Nevertheless, a wide funding gap hinders the financial stabilization of the Pension System. As such, if the UPR makes no changes to its funding policy (remain at \$120 million annual contribution) and/or its retirement benefits to plan participants, its pension plan could be insolvent by 2034.

During FY'21, the University continued to comply with actuarially determined employer contributions at \$160 million per year, despite the reduction in Central Government appropriations described earlier. These contributions to the Pension System nearly double the average employer contributions made on an annual basis during the last decade.

3.6 A Declining Institutional Reserve Fund

As it has been mentioned, the UPR has experienced several cuts in its Central Government Appropriations since fiscal year 2018. These cuts have been due to measures imposed by the FOMB. To mitigate these cuts, the University has taken measures to increase income (such as increasing enrollment) and cuts in operating expenses (reduction in payroll, purchases, among others). The measures imposed and implemented by the Administration have not been enough to mitigate the total reductions in Appropriations of the Central Government (of approximately \$333 million).

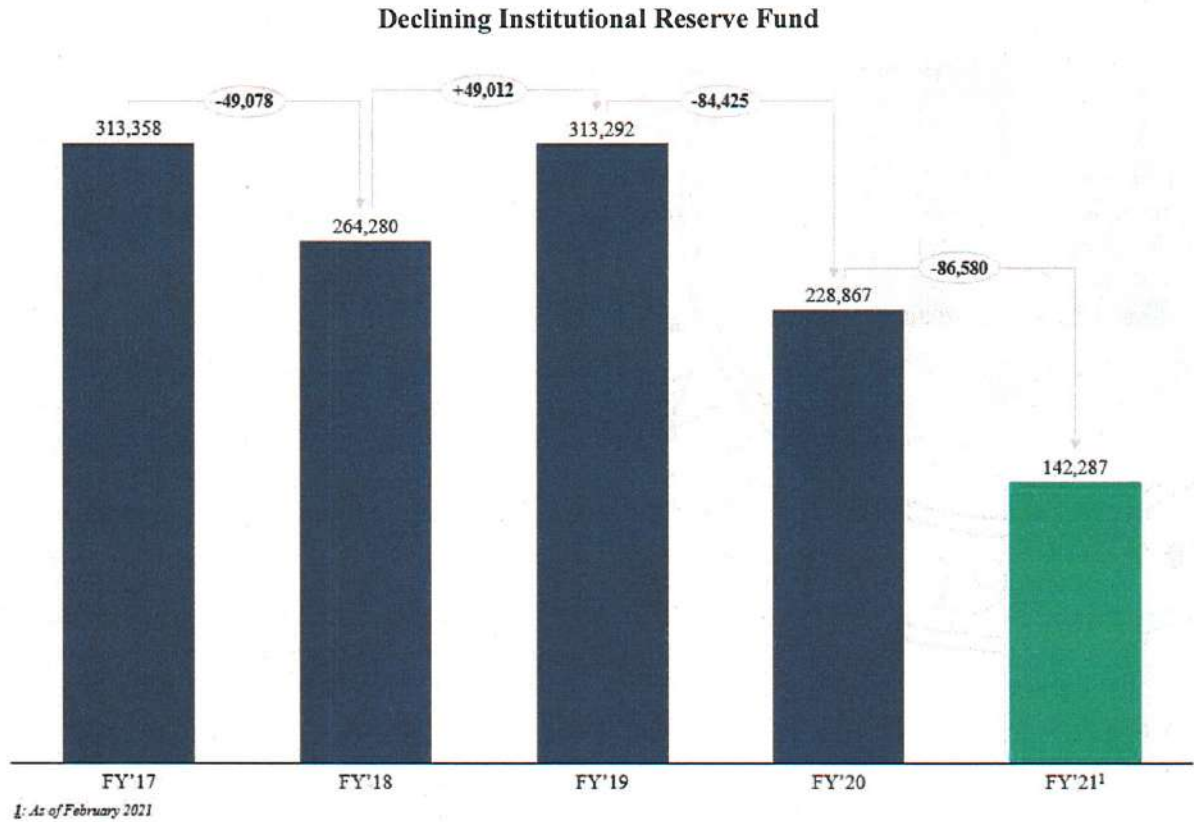
Consequently, the University has had to resort to its operational accounts to defray or finance operational deficits in recent fiscal years. Additionally, the University has had to invest an additional \$80 million annually into the UPR Retirement System for FY'20 and FY'21. This has caused the University's account balances to decline by \$171 million (as of February 28, 2021).

Most of the remaining cash balances are restricted and/or compromised for these uses:

- Bond Debt Service Accounts;
- Federal Fund Accounts;
- Third Party Funds (Insurance Proceeds from Disaster Relief);
- Accounts Asserted to be Restricted, under litigation, and Scholarship Accounts;

- Component Units Accounts (restricted and operational accounts of CU's, such as the University Hospital);
- Third Party Accounts - Trainings & Seminars Balances as part of the Transfers made by the Central Government. Amount restricted due to unearned revenue;
- Capital Improvement Funds, no legal restriction however, amounts shown reflect projects approved by the Capital Improvement Committee and underway and/or in planning phase.

To increase liquidity, the University has requested support from the FOMB to collect account receivables from Government Entities. It is worth mentioning the largest receivable pending is from ASEM. As of June 30, 2020, UPR auditors Ernst & Young certified an estimated \$53.6 million are outstanding in payment for the University. An additional liquidity initiative is being included on this Fiscal Plan, as part of the New Government Appropriations Fiscal Resiliency Funds.



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4. Measures to Improve the Fiscal and Operational Situation

The University and its staff have been executing the fiscal measures outlined on past Fiscal Plans. Today, we highlight the most recent changes that will help continue the University's transformation to a stable future state. It is important to observe the University's progress in bridging the gap between the UPR's proposed measures and FOMB's initiatives. Key highlights in this Fiscal Plan include:

1. Alignment with the FOMB in undergraduate and graduate tuition increases;
2. Developed FY'21 projections based on 8 months of actual performance;
3. New Government Appropriations Fiscal Resiliency Funds.
4. Increased contribution to the pension plan for FY'21 totaling ~\$160 million;
5. New zero-based budget model;
6. Need-based financial assistance model;

4.1 Financial Baseline

4.1.1 Baseline Revenues

The University Baseline revenues are projected to decrease by 10% per year between FY'22 and FY'26 before beginning to increase again slightly in FY'26. This is driven by the following trends:

- Tuition revenue decline: baseline tuition revenues are projected to decline proportionally to enrollment from FY'22 to FY'26. Tuition forecasts assume that cost per credit (pre-measures) will remain at FY'18 levels for all programs, but that the volume of enrolled students will decline as the Island population declines. Estimates of year-by-year magnitude of enrollment decline are based on spring 2020 enrollment projections. During FY'20, the tuition exemptions underwent a transformation to a need-based financial assistance model. This change translated into savings for the UPR amounting to almost \$30 million.
- Central Government appropriations decrease: FY'22 appropriations will not be reduced, according to the 2021 Central Government's Fiscal Plan. However, appropriations are indexed to inflation starting in FY'24.
- Campus-generated inflows (e.g., dues and charges revenue): These revenues are expected to normalize to pre-COVID projections proportionally to enrollment.
- Federal receipts from Pell Grants: These revenues are expected to remain stable from FY'22 to FY'26. Federal receipts include pass throughs for Pell grants and loans for medical students. Pell grants are expected to behave proportionally to enrollment.
- CARES Act revenues: The UPR has received from several sources of funding for higher education institutions ~\$81 million from Higher Education Emergency Relief Fund, approximately \$5 million from additional funding directed towards Minority Serving Institutions, and ~\$3 million from EDA and COVID-19 research disbursements.
- CRRSAA Act revenues: The UPR is expected to receive around \$128.5 million from Higher Education Relief Fund II (HERF II). From this amount, around \$40.5M must be distributed directly to students. The UPR will receive around \$88 million in the institutional portion of these funds.

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The economic and fiscal effects of the American Rescue Plan Act ("ARPA") is not considered in the baseline. It is important to note that the US Department of Treasury has yet to issue guidance for the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). This could ultimately impact the way the Government deploys such funds.

It is expected that the funds would remain available through September 30, 2023. All institutions that receive grants will be required to spend at least 50% of their allocation on emergency financial aid grants provided directly to students. Like the previous relief bills, the ARPA also instructs institutions to spend at least a portion of the grant funds on implementing "evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines" and conducting "direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student."

Other components of baseline revenue are expected to remain relatively stable pre- measures over the period included herein.

4.1.2 Baseline Expenditures

Baseline expenditures and disbursements are expected to remain relatively stable between FY'21 and FY'26. This stability reflects the prior implementation of a freeze in all operating and payroll expenses starting in FY'19. Baseline payroll (pre-attrition and pre-measures) is assumed to remain constant at \$706 million through FY'23, and non-payroll operating expenditure categories also remain constant except for scholarships and donations, which decline slightly to reflect decreases in disbursements of university-sponsored financial aid as enrollment declines. All baseline operating disbursements are indexed to inflation starting in FY'24.

Other expenditures vary according to individual assumptions:

- Pensions: Baseline pension expenditures assume to maintain defined benefit plan where the UPR continues making the full required contribution (~\$201 million from FY'22 through FY'26), with no cuts to accrued benefits or freeze. In doing so, the baseline assumes a significant uptick in UPR's current policy of underfunding its pension system to pay for operating expenditures.
- Disaster-related disbursements: These assumptions represent the latest information on federal and private-insurance relief funding related to the various natural disasters that have hit the Island in past years. For the UPR Fiscal Plan for 2021 expenditures are assumed to occur within the fiscal year disaster-related funding is received.

4.1.3 Baseline Operating Deficit/Surplus and Cash Position

When establishing the Baseline, it is important to note that these calculations exclude fiscal measures (e.g., attrition, procurement savings) undertaken by the UPR in prior Fiscal Plans. All baseline expenditure and revenue forecasts indicate UPR will operate at a significant deficit pre-debt service. A substantial portion of this deficit is driven by imbalanced certified budgets and the assumption that the University will properly fund its pension system within the current plan design. With the addition of debt service obligations, the UPR's operating deficit would reach \$338 million by FY'22.

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UPR Fiscal Plan for 2021 Baseline

(000's)	CFP FY'21	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26
Total Central Government Appropriations	\$539,909	\$539,909	\$596,584	\$596,448	\$572,800	\$562,516	\$564,502
Total Operating Receipts	298,286	281,389	297,539	301,898	305,115	306,764	308,342
Total Intra-Government Receipts	277,647	230,784	224,720	224,095	228,849	233,701	238,689
Total Disaster Relief Receipts	-	-	128,530	-	-	-	-
Total Receipts	1,107,082	1,052,082	1,247,373	1,122,441	1,106,764	1,102,980	1,111,533
<u>Operating Disbursements:</u>							
Total Operating Disbursements	(1,152,636)	(1,105,773)	(1,104,429)	(1,103,804)	(1,119,053)	(1,134,796)	(1,151,000)
Total Disaster-related Disbursements	-	-	-	-	-	-	-
Pensions Payment	(208,500)	(208,500)	(205,200)	(202,600)	(200,500)	(198,700)	(198,700)
Capital Expenditures	(30,895)	(30,895)	(30,895)	(30,895)	(31,333)	(31,786)	(32,252)
Equipment	(11,553)	(11,553)	(11,553)	(11,553)	(11,717)	(11,886)	(12,060)
CW Capital Expenditures Passthrough	-	-	(56,675)	(56,539)	(24,945)	(6,458)	-
Total Disbursements	(1,403,584)	(1,356,721)	(1,537,287)	(1,405,391)	(1,387,548)	(1,383,626)	(1,394,013)
Net Cash Flow (before Debt Service Payment)	(\$296,506)	(\$304,639)	(\$289,909)	(\$282,950)	(\$280,784)	(\$280,645)	(\$282,479)
Debt Service Payment	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)
Net Cash Flow	(\$344,758)	(\$352,891)	(\$338,161)	(\$331,202)	(\$329,036)	(\$328,897)	(\$330,731)

4.2 Expected Results for Fiscal Year 2021

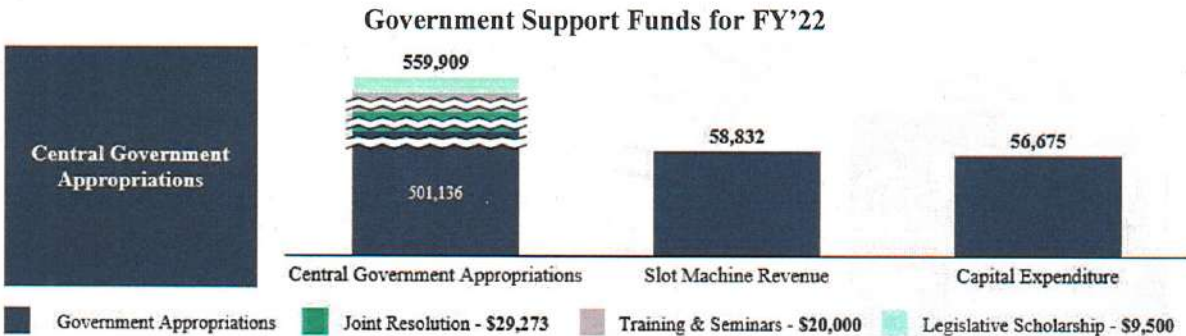
The University implemented a number of fiscal measures during FY'21 in compliance with the Certified Fiscal Plan (dated June 22, 2020). A combination of revenue enhancing measures (e.g., reduction of exemptions) and expense controls (e.g., centralized procurement efforts) were implemented. The COVID-19 pandemic, however, affected certain revenue sources, such as Slot Machines and Campus-Generated Inflows, which were halted during lockdown. These reduced inflows coupled with additional \$38 million of institutional funds allocated towards pensions were the main drivers in the projected \$76 million variance in net cash flow against the Certified Fiscal Plan.

FY'21 Expected Results vs Certified Fiscal Plan

(000's)	CFP FY'21	FY'21	Variance
Total Central Government Appropriations	\$559,875	\$559,875	\$-
Total Operating Receipts	388,467	379,850	(8,617)
Total Intra-Government Receipts	185,699	158,805	(26,894)
Total Disaster Relief Receipts	-	43,025	43,025
Total Receipts	1,134,040	1,141,554	7,514
Operating Disbursements:			
Total Operating Disbursements	(919,558)	(946,296)	(26,738)
Total Disaster-related Disbursements	-	(43,025)	(43,025)
Pensions Payment	(121,400)	(159,700)	(38,800)
Capital Expenditures	(30,895)	(5,338)	25,557
Equipment	(11,553)	(11,553)	-
CW Capital Expenditures Passthrough	-	-	(56,675)
Total Disbursements	(1,083,406)	(1,165,912)	(82,506)
Net Cash Flow (before Debt Service Payment)	\$50,634	(\$24,358)	(74,992)
Debt Service Payment	(48,252)	(52,231)	(3,979)
Net Cash Flow	\$2,382	(\$76,678)	(\$79,060)

4.3 Government Support Funds

The Central Government’s 2021 Fiscal Plan (submitted to the FOMB on March 9, 2021) provides the University with various appropriations and transfers that will support the University’s long-term fiscal and sustainability efforts. Central Government appropriations and transfers for FY’22 onward would include: General Appropriations, Joint Resolution Transfers and Legislative Scholarships, Slot Machine Revenues, Trainings, Seminars and Technical Services Program, and Capital Improvement Plan Strategic Investments. A separate but equally important contribution from the Central Government towards the UPR’s future as the Island’s leading higher education institution is the foundation and capitalization of the Commonwealth Scholarship Fund.



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4.3.1 New Government Appropriations Fiscal Resiliency Funds

Contained in the Central Government's 2021 Fiscal Plan, the Government has taken a stance to eliminate any further reductions to UPR General Appropriations. Since FY'18, the University has experienced \$333 million in cuts, or a 40% decrease, in its General Appropriations. For FY'22, these additional funds would represent \$94 million more compared to the Certified Fiscal Plan. The utilization of these additional funds would be for specific and restricted initiatives, not for any deficiency or refusal to implement any fiscal measure. These initiatives include:






- **Capitalization of the UPR Pension System:** \$40 million in additional annual contribution to the Pension System. Currently, the Certified Fiscal Plan includes an annual contribution to the Pension System of \$120 million. This amount is based on a freeze of the current defined benefit plan and move to a defined contribution ("DC") plan. Additionally, it reduces the accrued benefits for recipients above a certain income threshold (combined Social Security and pension monthly benefit is greater than \$1,000) and eliminates \$250 minimum benefit and \$400 holiday bonus. The current Administration has been explicit on the reduction of benefits to pensioners. Therefore, the University's solution to the Pension Reform will not include any benefit reductions. The \$160 million in total annual contribution is based on the most recent actuarial analysis, as of February 28, 2021. For further detail on the UPR Pension System Reform, please refer to Chapter 5 – on Pension Reform and Debt Sustainability.
- **Replenishment of an Operational/Emergency Reserve Fund:** \$20 million annual contribution to fund an operational account for emergency and working capital requirements. As of February 28, 2021, the Summary of Bank Account Balances for the Government of Puerto Rico and its Instrumentalities (published by the Puerto Rico Fiscal Agency and Financial Advisory Authority or "FAFAA"), the University, including its component units, had \$292 million. Since FY'18, the account balances have decreased by \$140 million due to: (i) additional contributions to the UPR Pension System (\$160 million in FY'20 and FY'21); (ii) full contractual debt service payments; (iii) COVID-19 pandemic impact for FY'20 and FY'21; (iv) reduction in accounts payable; (v) increase in accounts receivables of government entities; and (vi) approved budgets with embedded operational deficits.

These accounts include operational accounts, restricted student loan accounts, restricted insurance proceeds and specific Central Government program accounts, component unit accounts, debt service reserve accounts, as well as capital expenditures destined amounts. The total available, unrestricted funds is therefore limited or non-existent at this time.

Stateside universities researched by the UPR show that internal policies for cash requirements range from 60 to 90 days on the lower range and can extend to well over 150 days. This new initiative would fund a minimum of \$100 million in unrestricted cash balances over a five-year period.

- **Federal Funds Cost Share:** The University is expected to receive over \$150 million in FEMA Disaster Relief Projects. As part of the Cost Share Guidelines, the governmental entity would need to contribute 10% for each approved project. Assuming a \$200 million approval in projects, the University would need to contribute \$20 million (one-time expense for FY'22).
- **COVID-19 Impact for FY'22:** A minimum of \$10 million impact is expected to carry on for FY'22 due to the remaining effects of the COVID-19 pandemic in Campus Generated Inflows (specifically in the Medical Science Clinics).
- **New Employee Classification and Retribution Plan:** Central Administration is expected to develop and implement a Classification and Retribution Plan for its non-faculty employees. The estimated total investment is expected to be between \$25 to \$35 million in annual expenses. The FY'22 budget would include an initial \$4 million allocation to incentivize and commence the transition of the Administrative Transformation. An additional \$30 million would be available once the full Classification Plan is executed, estimated to be in FY'23 and beyond.

Government Support Funds

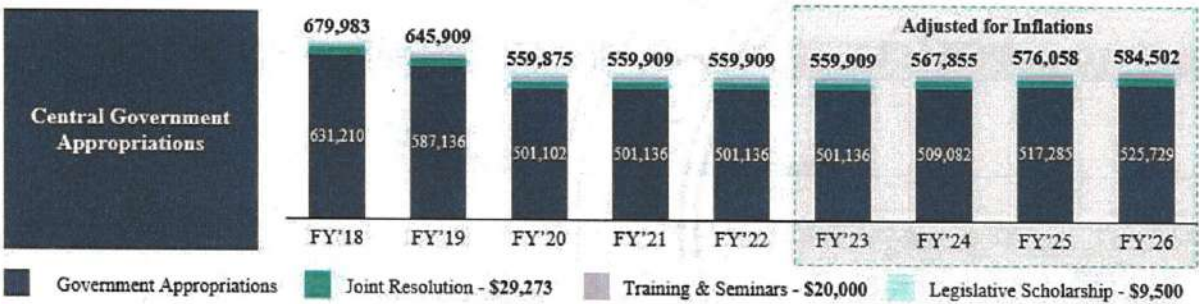
(000's)	Initiatives		FY'22	FY'23	FY'24	FY'25	FY'26
	Additional Pension Contribution	\$160 million in total contribution. No benefit reduction.	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
	Replenish Operational Reserves	\$100 million minimum cash balance or 60-day minimum cash on hand	20,000	20,000	20,000	20,000	20,000
	Federal Fund Cost Share	FEMA Projects approval of approximately \$200 million require a 10% cost share	20,000	-	-	-	-
	COVID Impact – Campus Generated Inflows	Campus Generated Inflows COVID-19 Impact	10,000	-	-	-	-
	Revamped Employee Classification Plan	New Classification and Remuneration Plan Expected Cost	4,000	34,000	34,483	34,491	34,498
Total Investment			\$94,000	\$94,000	\$94,483	\$94,491	\$94,498

With these initiatives, the University would implement all Certified Fiscal Plan Measures, while strategically investing in a financially responsible and sustainable future for the Institution.

4.3.2 Joint Resolutions & Legislative Scholarships

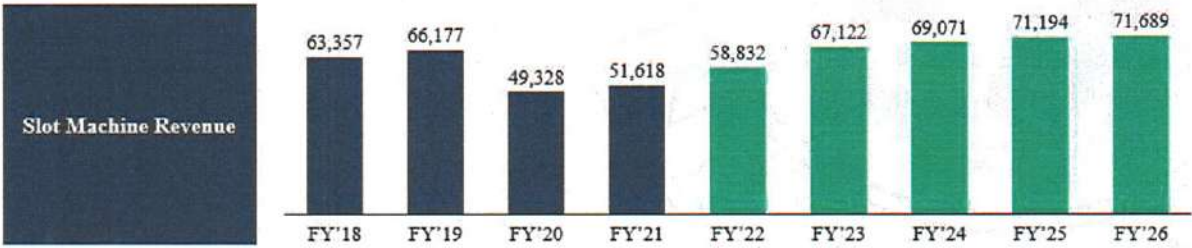
The UPR also has other sources of funding through Legislative actions in the form of Joint Resolutions. These include:

- Strengthening of the services provided by the Centro Ponceño de Autismo
- Operating expenses of the Puerto Rico Technology Assistance Program – Act 236-2000
- Resident Training for the Department of Surgery and Trauma – Act 106-2013
- Scholarship Grant for Odontology and Veterinary Students – Act 17-1948
- Postmortem Brain Biopsy Registry of Alzheimer Patients – Act 237-1999
- Creation of an Integrated Services Center for Minors Victims of Sexual Abuse – Act 158-2013
- Operational Expenses for the Center of Advanced Studies for Medical Emergencies Personnel – Act 235-2004
- Medical Services Provided Indigent Population – Joint Resolution 1527-2004
- Payroll for Residents and Interns of the Graduate Medical Education Program of the Medical Sciences Campus – Act 299-2003
- Seismic Network Operating Expenses – Act 106-2002
- Legislative Scholarships: Scholarship and Financial Aid for students – Act 170-2002



4.3.3 Slot Machine Revenues

Historically, another source of income to the University has come from Slot Machine revenues received from the Puerto Rico Tourism Company (“PRTC”), by virtue of Act 221 of 1948, as amended (“Slot Machines Act”). Beginning in FY’21, due to the new Puerto Rico Government Gaming Commission, by virtue of Act No. 81 of 2019, the University has begun to receive transfers directly from the Puerto Rico Gaming Commission. No fiscal impact is expected as part of this adjustment, although Slot Machine revenues have been affected by the COVID-19 pandemic by approximately -30% for FY’21. For FY’22 and FY’23, as provided by the Central Government, Slot Machine revenues would be adjusted by -20% and -10%, respectively.

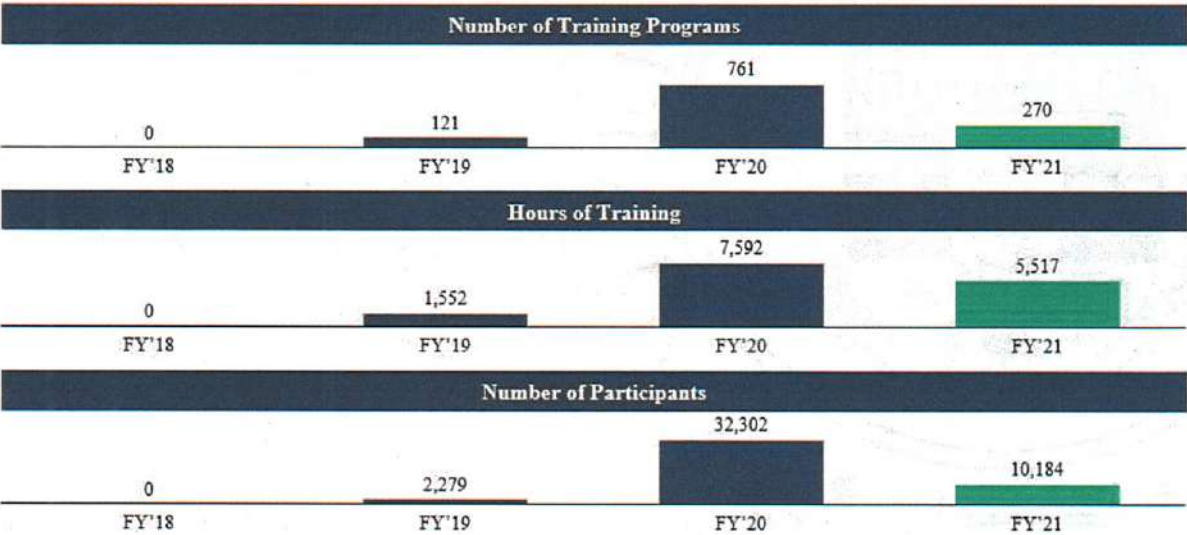


4.3.4 Trainings, Seminars and Technical Services Program to the Central Government

One of the programs that will lead the UPR towards self-sufficiency is Trainings and Seminars of government employees. Its objective is to elevate the level of professionalism in public employees. This service is a joint effort with the Office of the Administration and Transformation of Human Resources (“OATRH”, for its Spanish acronym) to usher in government transformation through the individual’s professional development.

In February 2019, a wide offering of trainings was made available to government employees for their professional development. To date, the UPR offers a course catalogue of over 400 different trainings and seminars, and the offering continues to expand from custom training requests made directly from the government agencies. All UPR institutional and administrative units participate in this project.

Trainings & Seminars Program



Two different types of trainings are offered: predetermined courses from the catalogue offering or custom trainings as petitioned by a government agency. Those trainings offered in the catalogue are structured based on preestablished needs presented by participating agencies and are published in the OATRH’s web portal. Government employees then enroll in the offered trainings and seminars that best suit their needs. Custom trainings respond to special petitions agencies when the course catalogue does not meet their specific needs. The OATRH is ultimately responsible for the advertising of their course catalogue and certification of employees’ enrollment in the courses offered.

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One of the challenges the UPR has faced with this program is the low participation rate from government employees. Alternative ways of expanding the services offered to government employees have begun showing positive results. From February to June 2019, the UPR provided 125 trainings and seminars. From July 2019 to December 2019, however, the UPR saw a 43% increase in the trainings and seminars offered.

4.3.5 Trainings, Seminars, Tutoring and Technical Services Program to the Department of Education

The Puerto Rico Department of Education (“PRDE”) promotes the importance of continued education and professional development of its employees and teachers. The PRDE ultimately aims to optimize the quality of its teachers’ productivity, so it can be directly reflected in the classroom. The professional development of its employees is a priority of the PRDE. Therefore, on October 21, 2019, a joint effort between the UPR and the PRDE was formalized to help the training and retraining of its teachers.

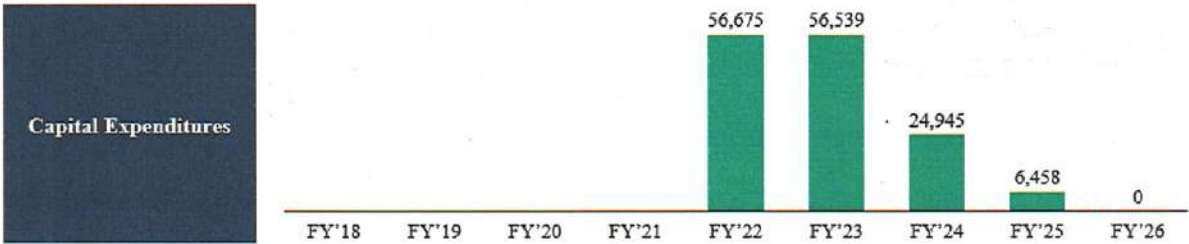
The availability of these funds has allowed for several events to be held throughout the UPR campuses. The first event held on October 23, 2019 had over 17,000 teachers show up across all 11 UPR campuses. The model previously used by the PRDE was based on subcontracting different vendors to handle trainings for teachers. For this occasion, the UPR was the only “vendor” in charge of professional development and the event proved highly successful. Subsequent programs were developed with a training model based on “academies”. These academies cover a period of trainings directed at a specific group of teachers. The UPR is currently offering academies for teachers in departments of health, libraries, and sign languages.

The collaboration between the UPR and the PRDE also aims to ensure compliance with applicable laws. For example, Law 56 of 2018 establishes the DE must incorporate courses on sign language at all educational levels. This alliance has allowed 250 public school teachers to be trained in sign language during the second semester of the academic year 2019-2020. The goal is to integrate these teachings into the academic curriculum and achieve compliance with Law 56, which has been in place since 2018.

Other types of trainings are also being offered to PRDE teachers, among them are symposiums and certifications in cutting edge academic topics. For example, with these funds, a symposium celebrating the works of author Rene Marqués was held for Spanish teachers. The conference included various presentations analyzing the author’s legacy and included the unveiling of a portrait of Rene Marqués by Antonio Martorell completed during the author’s lifetime.

4.3.6 Capital Improvement Plan Strategic Investments

In the 2020 Central Government’s Certified Fiscal Plan an allocation assigned to the University for Capital Improvement Projects was included, totaling \$144 million for a five-year period. The allocation was delayed in FY’21 due to Central Government’s already compromised funds. These funds account for 36% of the total Capital Improvement Program and are wholly intended for new strategic projects and essential improvements not included under Institutional Funds. Innovative undertakings like the first Aeronautical and Aerospace Institute and the Ocean and Resiliency Institute are a few examples of groundbreaking projects dependent on these Central Government funds.



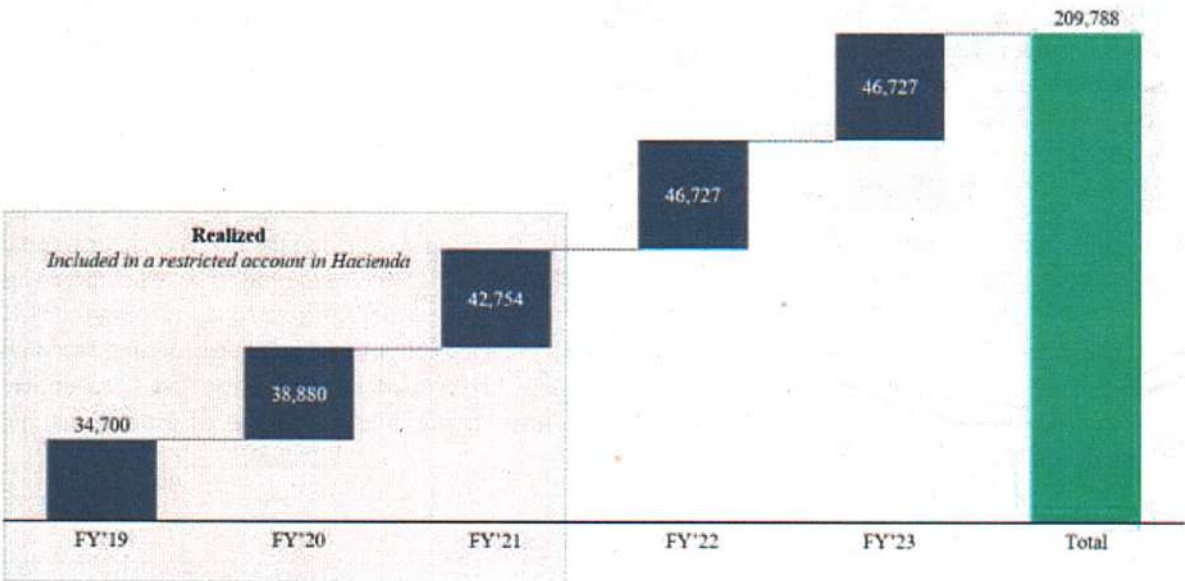
4.3.7 Commonwealth Scholarship Fund

The Commonwealth Scholarship Fund was designed in FY'19 as an endowment fund whereby annual interests are intended towards student scholarships. An annual funding schedule from the Central Government is establishing a corpus with \$210 million by the end of FY'23. The 5-year funding schedule is as follows:

- FY'19: \$34.70 million
- FY'20: \$38.88 million
- FY'21: \$42.75 million
- FY'22: \$46.72 million
- FY'23: \$46.72 million

Once the endowment is established, approximately \$10 million in annual interest (approximately 5%) will go towards students who don't qualify for Pell Grants or current student aid programs funded by the University. After a comprehensive bid process, the non-profit entity Fundación Comunitaria de Puerto Rico was chosen as the Scholarship Fund's administrative agent in May 2020.

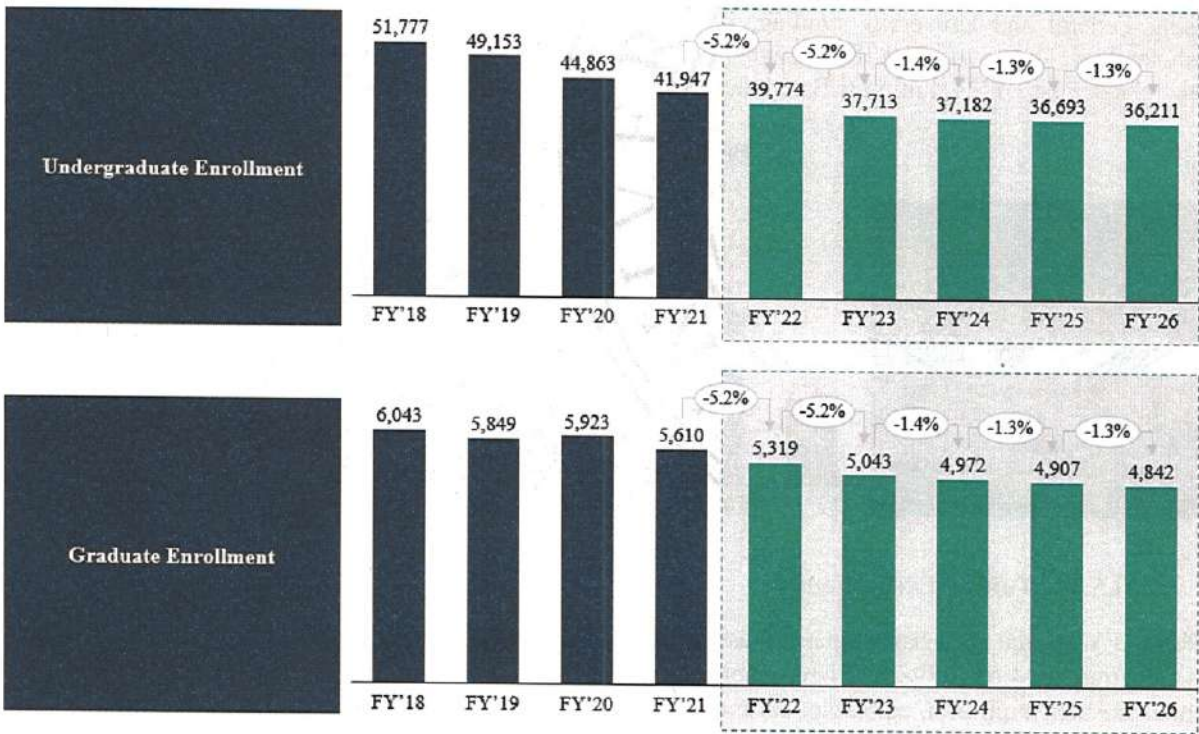
Commonwealth Scholarship Fund



4.4 Student Population

Even before the impact of the multiple natural disasters to the Island or the COVID-19 pandemic, the population of Puerto Rico has been in steady decline. Therefore, the drop in UPR student population reflects the Island’s demographics. The decreasing trend in student enrollment has impacted total undergraduate and total graduate students differently. Between FY’18 and FY’21, the undergraduate population has decreased 19%, while graduate student population only decreased 7%. FY’22 and FY’23 is expected to continue a decline at 5.2%, but this tendency is projected to taper off after FY’23 to a 1.3% – 1.4% rate.

Projected Student Enrollment Comparison



4.5 Revenue Enhancement Measures

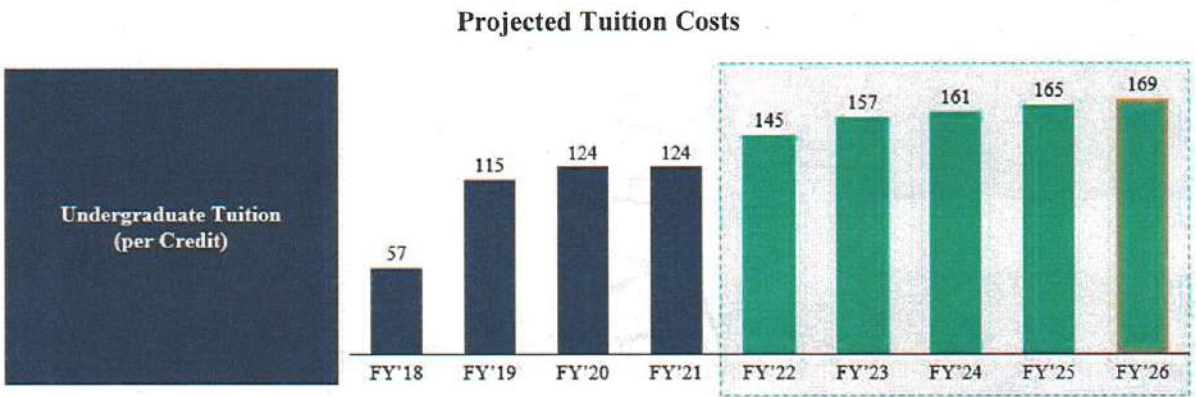
In accordance with measures established by the FOMB, between FY’18 and FY’21, the UPR has witnessed a reduction in appropriations of over \$333 million, or 40% in balances prior to the enactment of PROMESA. During FY’18, the UPR received a total of \$918 million in Central Government appropriations, which represented ~70% of its operational budget. By FY’21, the UPR’s had reduced its dependence on the Central Government to around 45% of its total budget.

While the UPR Fiscal Plan for 2021 makes every effort to generate additional revenues from other sources, some tuition increases are necessary. The need-based financial assistance model established during FY’20 allowed 79.1% of undergraduate students to have their tuition expenses covered by a combination of institutional and federal funding. The UPR Fiscal Plan for 2021 will implement increases in undergraduate tuition costs to support its operational budget. These initiatives are expected to add between \$70 to \$100 million in additional revenue a year between FY’21 and FY’26. Even after implementation of these measures, the UPR will still be the most affordable higher education option on the Island and among the most affordable universities in the United States.

4.5.1 Undergraduate Tuition Increase

Over the past several decades, UPR did not increase tuition at the same rate as other higher education institutions on the Island. For the past 5 years, annual undergraduate tuition and fees were around \$2,000, 35% less expensive than comparable universities in Puerto Rico and 57% lower than the average in-state annual cost at U.S. public 4-year universities.

To support the necessary fiscal measures while maintaining accessibility to students and academic quality, undergraduate cost per credit hour will be increased to \$157 by FY’23. To increase student access, the Administration has created a scholarship program that covers tuition for 80% of the student population using Federal and University funding, in addition to many other needs and academic performance scholarships. Due to the COVID-19 pandemic, and as stated above, the expected FY’21 adjustment did not take place. Post FY’24, tuition will be indexed to public 4-year tuition inflation (estimated to be 3.1%).



4.5.2 Tuition Exemptions

During FY’20, the need-based financial assistance model was implemented across all campuses according to Certification 4 of 2019-2020 later amended by Certification 5, 47 and 75 of the same year. This new policy ensures a uniform, equitable, optimal and fiscally sound administration for tuition assistance. They are granted automatically based on financial need. All students must complete the Free Application for Federal Student Aid (“FAFSA”) and must have an annual family income below \$100,000 to be eligible.

Students that only qualify for partial Pell grant assistance and that meet the requirements outlined in Certification 4 are provided with additional financial assistance to cover remaining expenses. Legislative funds are used to provide merit-based scholarships to eligible students, such as, honor students, athletes, and students in artistic or cultural groups.

The only tuition exemptions that are still awarded are those assigned to veterans and their dependents, research and teaching assistants, and student representatives to the University Board and Governing Board. For FY’20 this represented 2,254 exempt tuitions for veterans and their dependents and 13 for student representatives. Likewise, during FY’20, some \$40.3 million were distributed in financial assistance from the Endowment Fund, Special Fund for Scholarships, Legislative Scholarship, UPR Fiscal Plan Scholarship, and UPR funding for tuition and financial assistance to undergraduate and graduate students as established by law decree and other categories.

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The UPR made three changes to its non-need-based exemptions policy:

- Eliminate 13 of 16 exemption categories (keeping only teaching assistants, student representatives, and veterans)
- Limit veterans’ exemptions to veterans only (not spouses) and restrict eligibility to 4 years,
- Adjust value of exemptions provided to TAs and honor students (will now pay up to \$100/credit and be exempt from any additional cost)

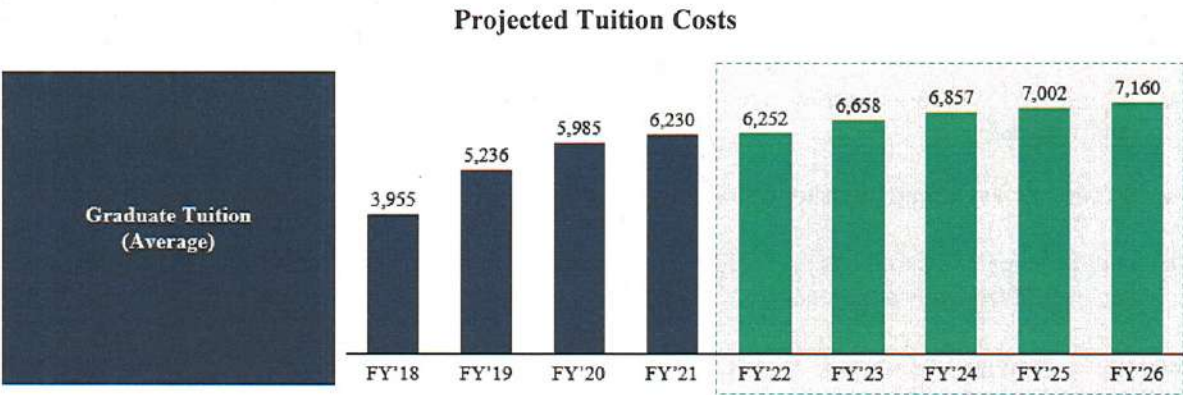
These policy changes on tuition assistance eligibility are set to reduce the total volume of exemptions from FY’21 to FY’25 and will drastically reduce the cost of exemptions, allowing UPR to earn an average of \$17 million annually in foregone revenue.

Financial Assistance Offerings

Source	FY’20	FY’21	Variance
Exemptions (Veterans, Student Representatives, Graduate Assistantships)	\$8,025,126	\$5,493,039	(\$2,532,087)
UPR Internal Scholarship Fund	\$9,125,977	\$8,947,156	(\$178,821)
Legislative Fund	\$9,500,000	\$9,500,000	\$-
Law 44 Scholarship Fund	\$1,353,000	\$1,846,000	\$493,000
UPR Endowment Funds	\$2,100,000	\$2,100,000	\$-
Total	\$30,104,103	\$27,886,195	(\$2,217,908)

4.5.3 Adjustment to Graduate Tuition

The FOMB requires the UPR to adjust the cost per credit for graduate programs similar to undergraduate tuition increases, indexing the increase first to the average public higher education tuition growth over the past decade (3.1%), then to the Island inflation (1.0%). Even with the implementation of all these changes, UPR will remain an affordable and competitive option for graduate studies, compared to other U.S. Mainland public universities. In parallel, the UPR is implementing other strategies to increase revenues from graduate student tuition, such as innovative recruiting efforts and development of new master’s programs, among others.



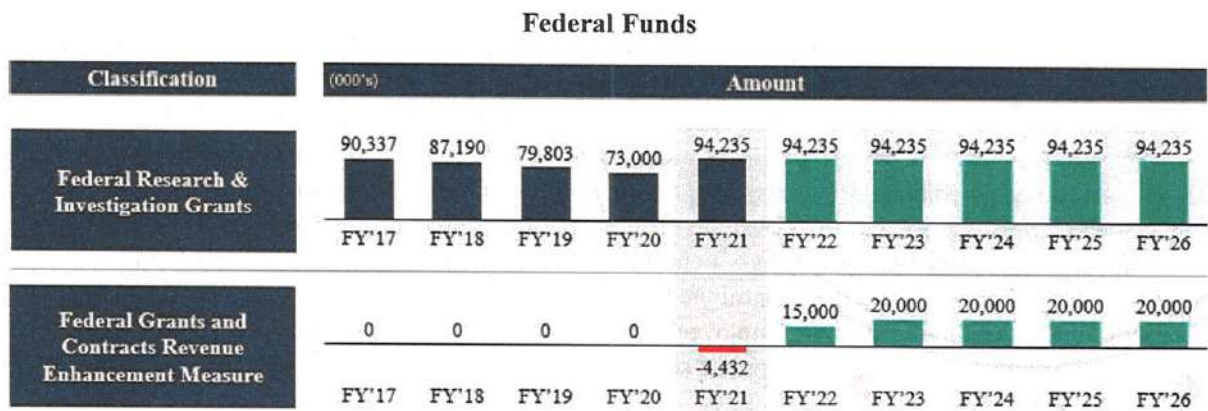
Graduate programs at the University have been strengthened over the past two fiscal years. A continuous evaluation plan of these programs has been reinforced focused on academic effectiveness. Similarly, the development plan for graduate studies at UPR has been characterized as a joint effort with the faculties and schools. The implementation of a work schedule in each of the campuses was started, supported by the innovation of the graduated skilled offer. During FY'20, changes were made to institutional policies and regulations, such as Certification No. 95 of the Río Piedras Campus, which, among other matters, recognizes the responsibility of the professors in the evaluative process of learning, and periodically communicating the results to their students. Through this Certification, the requirements regarding the digital format are tempered for the delivery and publication of the thesis and dissertation. During this same period and in response to the current labor market, the Governing Board approved the Online Master's Degree in Business Administration (iMBA) at the Río Piedras Campus from the Faculty of Business Administration, the Master of Laws (LL.M.) in Orality in the Criminal System Online, from the Law School and the Curricular change to the program of master's degree in Rehabilitation Counseling, from the Faculty of Social Sciences. An additional achievement in graduate studies is the proposal to establish an Academic Certificate Post-Baccalaureate in Disaster Planning, at the Graduate School of Planning.

4.5.4 Federal Funds for Research

University driven research and development ("R&D") plays a significant role in Puerto Rico's economic growth and innovation. The University continues to ramp up R&D activities to remain academically competitive. The UPR remains ever vigilant for new opportunities to further streamline its support for scientific research and technology transfer initiatives.

In FY'20, the UPR submitted a total of 588 proposals, out of which 44% were approved by the end of the fiscal year. The University has historically received ~\$80 million per year in federal funding. In FY'20, the UPR received grants which amounted to \$161 million, not including FEMA funds. The UPR Fiscal Plan for 2021 expects these funds to increase ~\$20 million by FY'23 through the provision of resources for grant applications and other support efforts.

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4.5.5 Trainings and Seminars and Technical Services Program

As part of the Trainings and Seminars and Technical Services Program (the “Program”) that provides services to the Central Government, the UPR will receive \$20 million in gross additional revenue (~\$12 million in net additional revenue) per year between FY’21 and FY’26 for tutoring, training, technical support services to government agencies:

- UPR will provide \$10 million worth of tutoring and training services to the PRDE staff per year. In order to implement this UPR will incur \$4 million in implementation cost per year.
- UPR will also provide \$10 million worth of training and technical support to Central Government entities per year. This will also require a \$4 million implementation cost.

Revenues will be tied to actual services delivered. Over the initial 2-3 years of this Program, UPR has struggled to realize nearly \$45 million in revenue due to slow implementation in operationalizing these programs.

Since FY’20, the following are approved technical services the UPR can provide to realize revenue under this Program. The University must manage the costs of delivering these services to ensure incremental revenue is available for use against other operating expenses:

- Technical services to Central Government agencies,
- Training and seminars to non-teaching staff (impacting all PRDE employees),
- Tutoring services for students,
- Conferring academic credits and covering the costs of University courses for PRDE students in 11th and 12th grade,
- Conferring academic credits and covering the costs of University courses for PRDE employees identified in areas of difficult recruitment, completing requirements to obtain other certifications or re-certifications, and areas of innovation, for example STEM, Spanish as a second language, Montessori method of education, among others.

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During FY'21, the Program has impacted 4,425 participants through 158 courses for a total of 3,711 contact hours. Even though the campuses are presented a catalog with more than 400 subjects for the year, the UPR received approximately 54 special trainings requests. Likewise, the collaboration with PRDE has impacted an estimated 5,759 teachers during the first semester of 2020-2021 through 58 courses during 1,806 contact hours. It should be noted that during this semester the UPR, with the endorsement of the FOMB, managed to develop and implement 2 new services: the Professional Development Academies with credits and the Tutoring program ("UPR Estudia Contigo") currently available for 492 schools. Services rendered under the Program will enable the UPR to contribute to the growth and recovery of Puerto Rico's economy by expanding the capability of current employees and positively impacting student outcomes, ultimately improving the quality of education and public services on the Island.

Some examples of the technical services allowed under the Program are the partnership with the Property Registry, where students and Department of Justice ("DOJ-PR") registrars had the objective of eliminating all backlogged documents in the San Juan area while exposing student participants to the intricacies of the legal processes surrounding property registration. Another initiative was with the Department of Corrections & Rehabilitation ("DCR") and the Administration of Mental Health and Anti-Addiction Services ("ASSMCA", for its Spanish acronym), which requested technical assistance from the UPR in a variety of matters. The University will continue to explore similar opportunities to realize unused Trainings and Seminar funds. New initiatives under the Program must have prior approval by FOMB before revenues can be recognized and must abide by any existing agreements between UPR and the government agencies.

4.5.6 Plaza Universitaria

A source of recurring ancillary revenue for the University is found in the Plaza Universitaria complex, adjacent to the Rio Piedras campus. This 386,000 square-foot institutional building consists of a student housing facility, a multi-story parking building and an institution building to house administrative, student service and support functions, and to lease commercial space. The financing for Plaza Universitaria was provided to UPR's component unit Desarrollos Universitarios Inc. by the issuance of \$86,735,000 in Educational Facilities Revenue Bonds through the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority ("AFICA") on December 20, 2000. From a recent change in internal management Universitaria complex, UPR designated UPRPS as interim manager until June 30, 2020. While a Request for Proposals for a new asset manager is published and the best candidate is selected, UPRPS is expected to help financially stabilize the mixed-use complex. Therefore, the University does not foresee any net revenue for FY'21 related to Plaza Universitaria. Starting in FY'22, the UPR Fiscal Plan for 2021 projects net annual revenues of \$2 million.

4.6 Expense Controls

The UPR Fiscal Plan for 2021 calls for a 2% decrease in total operating disbursements between FY'22 and FY'26. These reductions will significantly improve UPR's operating position, but they are also linked to operating improvements that will enable UPR to better focus its resources on areas closest to its core mission. Ultimately, these expense control measures will drive over \$150 million in savings per year in addition to improving the operational performance of the University.

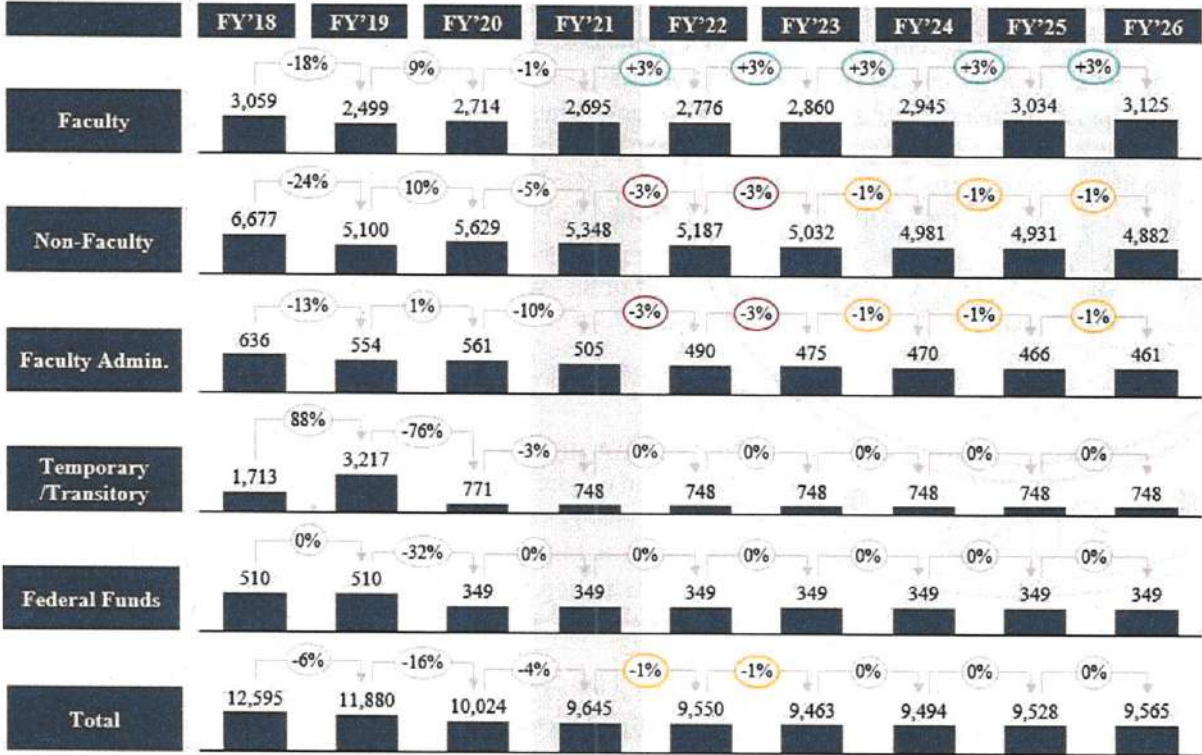
Expense Controls – Measures Impact

(000's)	Measures	CFP FY'21	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26
Expense Controls								
	HR Optimization: Attrition	100,882	87,837	110,425	115,502	113,710	111,735	109,573
	HR Optimization: Adjustment in Marginal Benefits	23,405	8,044	23,003	23,552	25,131	26,753	28,417
	Centralized Procurement & Contract Re-negotiation	19,858	19,925	19,910	19,963	20,015	20,068	20,068
	Pension Reform	87,100	48,800	83,600	82,400	80,500	78,800	78,800
	Total Expense Controls	231,245	164,606	236,938	241,417	239,356	237,355	236,857

4.6.1 Attrition

The University has made a detailed analysis of its employee functions. It has developed and divided its employee profiles in 5 separate groups. This allows the University to analyze the optimal resources it would need for its future.

Attrition Analysis



Since FY'18, the UPR has been undergoing higher than usual attrition levels. Out of the total personnel reduction of 2,950 between FY'18 and FY'21, some 364 were faculty members. As a result, during FY'21, the UPR aimed at increasing faculty employment to maintain the high level of instructional quality that characterizes the institution. Therefore, a 3% annual increase in faculty payroll was included in the budget as an allowance for new hires. Trust positions that are converted to faculty positions will count against this increase. Most of this attrition will be driven through the establishment of administrative shared service hubs across the University System, implementation of new technologies, and overall service optimization. Overall, the UPR is on track to invest \$25 million over the next 5 years in its faculty, equivalent to over 300 new recruits.

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4.6.2 Marginal Benefits

As required by the FOMB, the UPR has implemented changes to the marginal benefits offered to its faculty and employees. The largest impact concerns the medical insurance offered by the UPR. Starting in FY'20 medical insurance employer contributions were re-negotiated. This change brought about savings of \$6.4 million during FY'21. The FY'22 expectations for medical insurance expense include an alignment with FOMB requirements and prospective savings of \$11.8 million. Medical insurance contracts will be renegotiated to reach established requirements. As a separate measure, a reduction in prospective pay out of non-payroll compensation will be implemented in FY'22, which represents annual savings of \$9.5 million. The University Administration is committed to have its three Supplemental Rules and Work Conditions agreements aligned with the FOMB and renewed by June 30, 2021.

4.6.3 Procurement

One of the key fiscal measures to control operational expenses entails continued annual procurement savings. University procurement processes include addressable and non-addressable expenditures. Non-addressable spend includes scholarships and donations, utilities as well as expenses related to Joint Resolutions. Addressable expenses include materials and supplies, purchased services, transportation, advertising, and other operating payments. Procurement inefficiencies are historically rooted in its lack of centralization and lack of synergies between campuses. In order to produce annual savings, the UPR began concentrating certain purchases across campuses in order to seek both, large scale economies, and as the most cost-effective options. UPR has met the Certified Fiscal Plan targets for savings in FY'21.

Additional centralized procurement efforts are part of the Administrative Transformation the University is currently realizing.

4.6.4 Administrative Transformation

The administrative transformation model of the University of Puerto Rico is based on three keystones: the review of administrative processes, the participation of administrative staff, and sustainable administrative efficiency. These three pillars are aimed at making changes that strengthen the UPR System from the same needs identified by the University community and establish the administrative agility in accordance with the governance processes of a higher education institution. These keystones address three critical issues that have caused delays in administrative processes within the UPR:

- Deficiencies in administrative collaboration: Although regulations may be uniformly established at the systemic level, each is operationalized differently in each unit. Part of the reason for this is related to the needs and idiosyncrasies of each unit and region in which it is located. However, another part of this individual operationalization can lead to unnecessary expenses and efforts that do not generate administrative agility or systemic collaboration.
- Bureaucracies that generate administrative inefficiencies: This task is essential because there has been a reduction in staff in administrative offices, but the tasks and procedures remain the same. Thus, the University has fewer administrative staff to perform a greater number of tasks without additional compensation. That evaluation is necessary to identify possible areas of collaboration and the real needs for administrative personnel.

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- Absence of an empowerment and entrepreneurship culture for improvements in administrative procedures. An effective administrative transformation needs to strengthen responsibility, process evaluation and effective decision-making to maintain the excellence of administrative service in a sustainable manner. For that reason, the participation of administrative staff in decision-making processes is essential in this transformation.

4.6.4.1 Administrative Working Groups

The administrative change strategy is based on the creation of working groups represented by administrative staff from each of the UPR system units, including Central Administration. Each group is divided by administrative areas (e.g., purchasing, human resources, document management, etc.). The groups meet under a working methodology designed to promote cultural change based on structured dialogue, decision-making, and empowerment. Based on this methodology each of the working groups perform the following actions in their work areas:

- Review of regulations: Each working group meets to identify areas of regulatory limitation and inefficiency that affect the quality and service of its functions. After identifying these limitations, the working groups agree on the recommendations they will make to amend the regulations.
- Operational transformation proposals: Each working group evaluates inefficient processes in its work areas and proposes timely recommendations on the changes needed to generate efficiencies in administrative services. Similarly, they identify areas of collaboration and areas where, for reasons of administrative efficiency, it is necessary to maintain in each unit.
- Education and Training: Each working group identifies training areas and training areas to temper actions to new regulations and, in turn, improve administrative services.
- The strategy of the working groups has been recognized as an essential contribution of administrative transformation because each unit can propose, systemic changes that improve collaboration between the units. This strategy is not intended to be a standalone event. Rather, the process of regulatory review, proposals for administrative transformation and education must be a continuous one and sustainable over time.

The transformation outlined in this section is an opportunity for the UPR to 'reimagine' what it could become over the next coming years. It must seek to concentrate resources on the academic and research core that is at the heart of UPR's mission, while enabling the savings targets outlined in other parts of the UPR Fiscal Plan for 2021.

4.6.4.2 Incentivizing collaborations among campuses

While service efficiency opportunities exist within all UPR campuses, the greatest opportunity emerges when looking across the system. To that end, the UPR has developed various models and strategies to achieve cross-campus synergies. The new budget model encourages campuses to reach out to the rest of the university system to collaborate and develop cost-effective initiatives.

The push for cross-campus synergy goes beyond operational excellence and financial health; it is also an opportunity to significantly improve student (and research) outcomes.

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4.6.4.3 The Phases of Administrative Transformation

The phases established for each of the work areas are diagnostic, redesign and implementation. It is important to emphasize that they are not linear phases, rather they have a continuous and recursive character. This approach started with the current UPR administration.

- Diagnostic phase: The University thoroughly maps the current state of its operations and identifies an objective, fact-based perspective on areas selected (e.g., IT, HR, Finance, Enrollment Services) for greatest efficiency/efficacy improvement.
- Process redesign phase: With the diagnostic completed, UPR will build out the future state operating model focusing on the areas with greatest opportunity, while also applying a lens of feasibility regarding capability and timeline. This does not mean shying away from bold initiatives, especially considering the challenges inherent within COVID-19 pandemic, but rather developing a portfolio of initiatives that balance the need for near-term improvement with the University's ambitious long-term fiscal priorities.
- Initiative implementation phase: With a clear set of defined initiatives, UPR will move towards their implementation. Initiatives will have clear owners and an accountability system through centralized management, or a new 'transformation office.'

4.6.4.4 Diagnostic phase

Successful higher education administrative transformations begin with a function-by-function understanding of current state performance. For the UPR, this means:

- Establishing a financial baseline, including mapping FTEs and costs to a standard taxonomy of sub-functions or activities (e.g., treasury, financial aid, bursar function) across the 11 campuses and the UPR Central Administration,
- Developing a performance baseline, including critical KPIs for function performance (e.g., average time to close open IT tickets),
- Applying available benchmarks to both baselines to get directional insight into performance compared to other public multi-campus universities,
- Using alternative data analytic tools (e.g., central office spans-and-layers analysis, cross-campus procurement spend cube analysis) that identify opportunities,
- Conducting interviews and focus groups with diverse stakeholders (including "customers" of administrative services such as students and faculty) to augment quantitative insights,
- Identifying and sizing (both in terms of budget impact and efficacy improvement) an initial list of opportunities.

By the end of the Diagnostic Phase, the UPR will be able to deliver the list of processes that will set the scope of the transformation and the teams assigned to tackle each process. As part of the transformation, UPR's leadership will list the expected improvements and academic/administrative outcomes for each

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functional area. These UPR leaders will also use this phase as an opportunity to communicate the aspirations that the institution is striving to solve as a critical first step required to execute the end-state vision.

4.6.4.5 Process redesign phase

The results of the diagnostic phase should enable UPR teams (Central Administration as well as campus-based functions) to focus on tackling the processes in scope; teams will identify priority areas for improvement as well as specific initiatives to improve them, design an end-state, and define initiatives while fixing the highlighted points. Teams will also have to assess which capabilities and investments are needed to reach the desired outcome.

In order to determine the applicability of the diagnostic findings and relevance of potential opportunities, the UPR will provide a list of initiatives by process (tied to the savings targets identified in the diagnostic phase). Each process includes relevant KPIs, have a process owner, and detail the required investment to enable the initiatives under the process redesign.

Using the finance function as an example, UPR has substantive opportunity to address the decentralized and fragmented network of finance professionals across campuses. Centralizing the fragmented structure is also a critical step for the University to reduce delays and inconsistencies in financial planning and reporting and to remove barriers to academic performance, particularly with regards to UPR's aspirations to improve sponsored research.

Centralization, therefore, is an outcome (not the final objective) of this newly envisioned function. Specific opportunities for streamlining, digitization, and customer experience improvement should ultimately occur across the broad range of transaction processes (e.g., billing,), decision support processes (e.g., budgeting and forecasting) and specialty services (e.g., treasury). The future vision must also be paired with a pragmatic human capital and technology assessment to achieve this end vision. Similarly, finance function transformation is not a cost-cutting exercise – the UPR understands where opportunity exists to reallocate resources to highest value-added activities, such as financial planning and analysis, accounting, group purchasing / category management.

The University will carry out the same process redesign exercise across all processes and areas in the scope of the transformation. This process will engage with campus leaders as another way to build support for the transformation and ensure that the outcomes are genuinely reflecting the most important needs of UPR's faculty, staff, and students.

4.6.4.6 Implementation phase

Once the initiatives to be implemented have been defined and discussed with the relevant stakeholders, the UPR will develop a consolidated implementation plan while noting the need to continuously adapt the plan and incorporate feedback from the UPR community as initiatives scale. By taking a phased approach to implementation, the UPR will focus on achieving escalating measures targets on a function-by-function basis (e.g., Finance, HR, IT).

To keep pace with the implementation, the UPR will begin planning and prioritization for new functional transformations while beginning the execution of prior phases. This overlapping sequencing of initiative execution will also accelerate UPR stakeholders' ability to see the benefits that will emerge from this

disruption. As part of its implementation plan, the University will include regular reporting, KPIs, milestones, and clear owners for each initiative, as well as clear efficiency targets.

4.7 Infrastructure Modernization and Resiliency

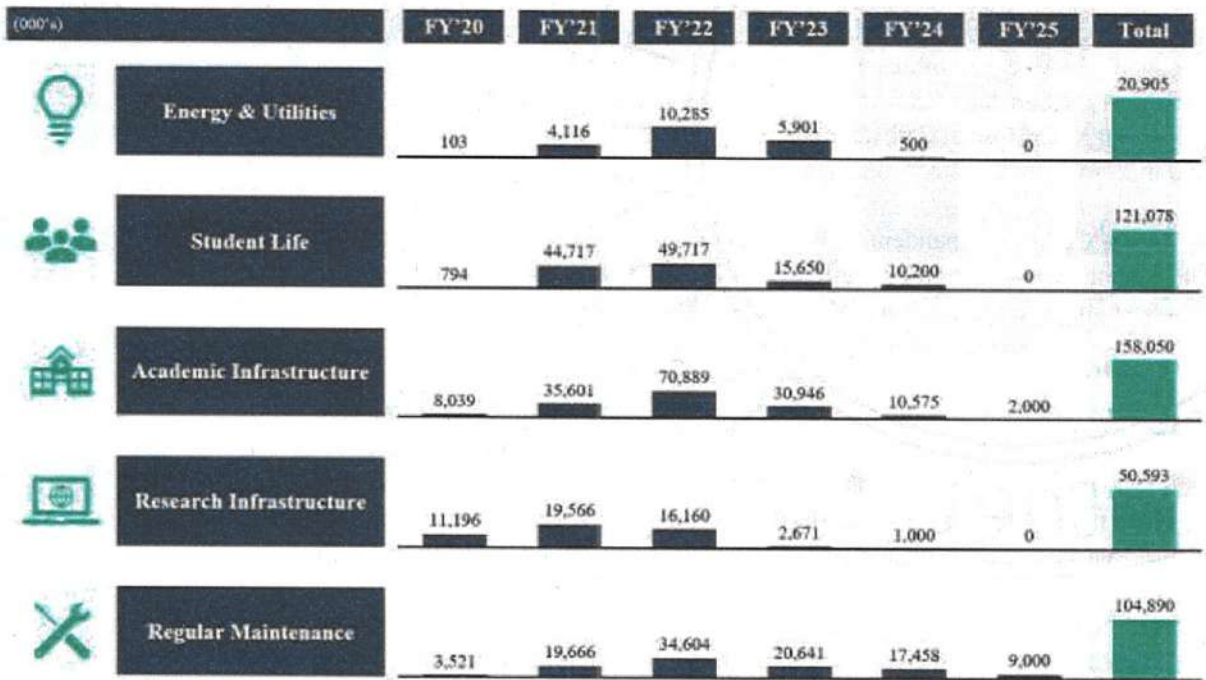
The UPR is in a major physical investment phase, taking its annual capital outlays from \$40 million per year from FY’20 to FY’26 to more than \$450 million between FY’21 and FY’26. Contrary to past capital investment plans, which focused solely on general maintenance across campuses, this new plan brings modernization and infrastructure resilience to the forefront of the UPR. These investments represent economic opportunities for the construction sector, creating jobs and tax revenues within the Island. They also support UPR’s continued pursuit of excellence in educating students, serving, and engaging with its local community, and conducting cutting-edge research. The total economic impact from UPR’s capital investments is estimated at \$79.4 million between FY’21 and FY’26.

Critical Infrastructure Funding								
(000's)	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26	Total
CW Appropriation	0	0	56,675	56,539	24,945	6,458	0	144,617
Institutional Funds	21,576	5,338	57,070	7,858	9,158	0	0	101,000
Federal Funds	2,049	22,640	32,712	8,821	2,350	0	0	68,573
Insurance Funds (non-FEMA)	18	2,500	18,035	8,347	2,000	0	0	30,900
FEMA Funds (Approved)	0	10,557	42,526	25,838	19,768	11,000	0	109,688
Joint Resolution	11	399	329	0	0	0	0	739

The Infrastructure and Maintenance Program is composed of 5 segments, each encompassing the structural needs for quality infrastructure among all levels of university life. These segments are: Energy & Utilities, Student Life, Academic Infrastructure, Research Infrastructure, and Regular Maintenance. Many projects included in the Program are meant to update existing infrastructure that is either functionally obsolete or non-compliant with current construction and safety codes. Others are targeted at seeking efficiency in energy consumption or better space planning within student buildings. Energy and Utilities handles strategic projects aimed at energy efficiency through upgrades to outdated equipment. Water and electric system improvements for code compliance and the creation of sustainable platforms were possible. Student Life projects include upgrades to student centers through efficient space planning initiatives at Río Piedras, Mayagüez, and Cayey. Likewise, major student housing projects at Mayagüez and Humacao campuses are built into this program. Academic Infrastructure centers its efforts around improvements to student centers

in Río Piedras, Mayagüez, and Cayey campuses. Research Infrastructure manages specific needs among laboratories and research stations throughout UPR campuses. Finally, Regular Maintenance includes planned upkeep projects for adequate preservation of campus-wide facilities. Among these are the sports complex in Río Piedras, and various elevator repairs in Mayagüez and Carolina campuses.

Critical Infrastructure Disbursement



This Infrastructure and Maintenance Program is sourced by a combination of Institutional Funds, Federal Funds, and Central Government Appropriations. Institutional Funds total \$79.4 million over the upcoming 5 years and are slated to cover mostly academic infrastructure and deferred maintenance projects. Out of all campuses, the Río Piedras and Medical Science campuses have the most assigned Institutional Funds.

The University allocated over \$42 million institutional funds for FY'21 to be invested in infrastructure (\$30.8 million) and equipment (\$11.5 million). From the Certified Budget for FY'21, some \$20 million have already been spent or are allocated for infrastructure projects. A new technology approach, which includes software and digital tools and innovative projects will boost the total investment over \$75 million for FY'22.

Funds assigned for Hurricane Maria related damages, are intended for repair, and rebuild the Institutions infrastructure from both its insurance claims and FEMA programs. Of these funds, the insurance claim payout represents 8% of the total Program with \$30.8 million. These funds are already assigned to academic infrastructure projects within the Bayamón, Ponce and Humacao campuses.

Currently, UPR is in full compliance with FEMA and the information required by the Federal agency at systemic levels. In addition to disaster recovery funding, UPR also presented proposals under the FEMA 404 Program. Projects that were not admitted under the 404 Program, were proposed to the CDBG-MIT Hazard Mitigation Action Plan. The University was granted CDBG funds with a 10% fund matching

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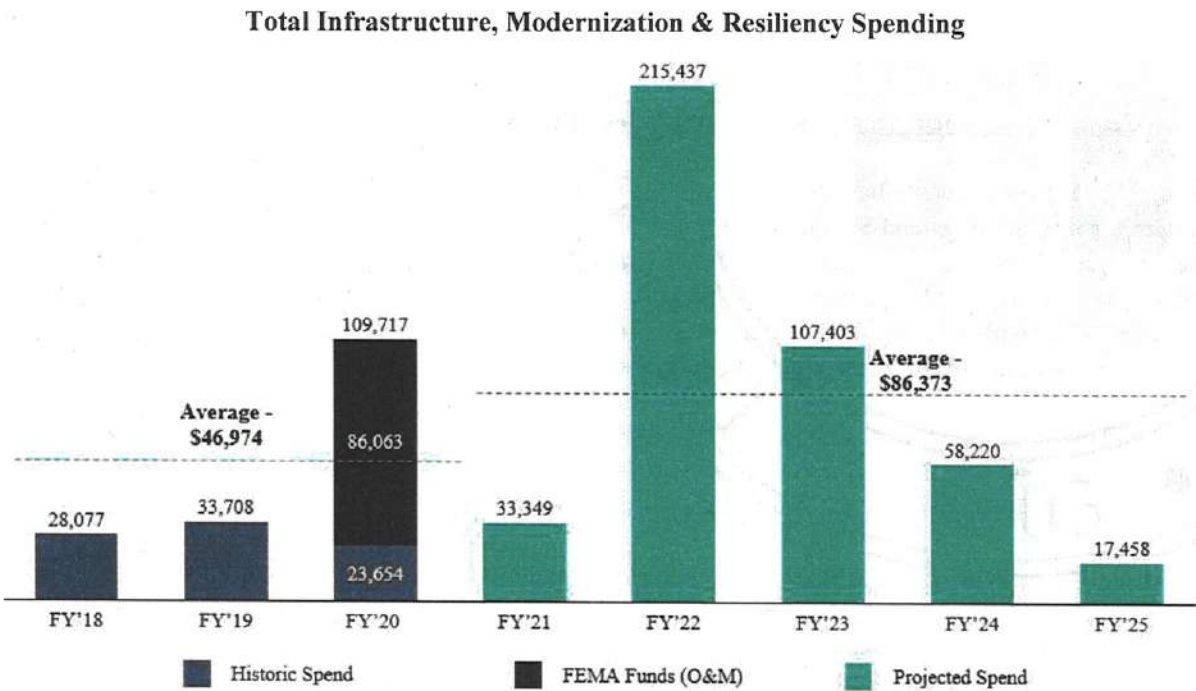
requirement to be invested in physical improvements pre-approved by FEMA categorized as permanent projects.

The Planning, Development and Infrastructure Office (“ODFI”, by its Spanish acronym) has applied to several federal grant programs for historic buildings and landmark restorations, which are under evaluation and consideration by the federal sponsor agency. The Economic Development Administrations (“EDA”) has awarded grants to the UPR for the development of emblematic projects such as ASTRE Center located at the Molecular Science Building in San Juan and the Smart Hub building in Ponce. Additional projects are under EDA consideration such as the Aerospace Building at Mayagüez campus, the “EcoExploratorio” located at the San Juan Convention Center District, the Ocean Resiliency Blue Tide building at the former Roosevelt Road Base in Ceiba, among other. The projects mentioned represent an initial investment of over \$50 million to the construction industry.

While the COVID-19 pandemic placed a temporary halt in all FY’20 and FY’21 construction projects, the UPR remains steadfast in its aggressive schedule and intends to continue as planned. Taken as a whole, however, the Infrastructure and Maintenance Plan is an ambitious move for the UPR that will help improve University life across all levels.

In order to spend an average \$86.4 million in annual expense for infrastructure and maintenance projects, the University will be executing an interagency agreement with the Puerto Rico Infrastructure Financing Authority (“PRIFA”) to expand the University’s capabilities and resources. The agreement will initiate with a limited number of projects from the already approved disaster relief funds. Additional projects and scope would be added once initial progress and needs are evaluated.

Moreover, the Governing Board, through the Infrastructure Committee, will be reviewing and modernizing the Infrastructure Contract Guidelines to provide an agile and effective process to execute the Program. These new guidelines are expected to be completed, presented, and approved by the Governing Board on or before June 30, 2021.



4.8 Prior Year Funds

The University has become fully compliant with all FOMB required reports. In certain budget and initiative line items, it has been difficult to project the actual performance and execution, due to the lack of flexibility in reporting standards. For the following items, the University would be requesting flexibility in reporting and budget use due to their individual particularities. The use of funds of Prior Fiscal Years would only include the following:

■ Federal Grants and Contracts

The reporting and progress of Federal Grants and Contracts allocated to the University, could be presented by: (i) total submissions of proposals; (ii) grants approved; (iii) work completed; (iv) invoice of work completed; and/or (v) collections of reimbursements from Federal funds.

Additionally, most project timelines are not based on fiscal year end completion targets. From submission to final collection of reimbursements, a project could take up between 2 to 5 years.

■ Infrastructure and Capital Improvement Plan

The Infrastructure and Capital Improvement Plan sources of funds is composed of: (i) institutional funds; (ii) Central Government Appropriations for Capital Improvement Projects; (iii) Federal funds; (iv) Insurance funds; (v) FEMA funds; and (vi) Joint Resolution Funds. Like in the case of Federal Grants and Contracts, these projects have several phases of implementation, which include: (i) design; (ii) planning; (iii) procurement; (iv) construction; (v) completion; and (vi) payments.

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Due to the dynamics and project management characteristics, each project has its unique disbursement timeline, which in most instances transcend specific fiscal years.

■ Central Government Trainings and Seminars Program

Since FY'18, the University has received restricted funds from the Central Government's Joint Resolution budget for the Trainings and Seminars Program. The UPR has made all the necessary efforts to provide the resources, facilities, and materials for the Program. Nevertheless, enrollment of public employees has been lower than expected, and some might interpret public accounting rules as restricting the University to use these funds without executing such trainings. In addition, limitations on beneficiaries of the trainings are delaying possibilities of providing more services and trainings to actual interested participants.

The University has accumulated approximately \$50 million of said funds. The limit and/or restrictions of current accumulated funds are due to PROMESA's guidelines in use of prior fiscal year funds, and the accounting principles that limit the use of "unearned revenues".

Consequently, to have access to these accumulated funds, the University is proposing the use prior fiscal year funds, for the services and offerings that have been approved by the FOMB (the "Eligible Services").

■ Need-Based Financial Assistance Model

The need-based financial assistance model was implemented across all campuses according to Certification 4 of 2019-2020 later amended by Certification 5, 47 and 75 in FY'20. This new policy ensures a uniform, equitable, optimal and fiscally sound administration for tuition assistance. They are granted automatically based on financial need. The funds distributed from the need-based financial assistance model derive from the Endowment Fund, Special Fund for Scholarships, Legislative Scholarship, UPR Fiscal Plan Scholarship.

The model, with the assistance of Federal student aid programs, provides approximately 80% of the student population with financial aid assistance funds. To maximize the institutional funds available for the model, the Administration would request to transfer the unused funds or not disbursed funds in a particular fiscal year to the following fiscal year.

The University would recommend developing a new Prior Year Funds Report to track the performance for these initiatives. Current Budget-to-Actual and Liquidity Reports do not have the statistics necessary to accurately report on the progress of these initiatives. The UPR would request the FOMB's technical team to develop a joint report template to be used for FY'22 and beyond.

4.9 2021 Fiscal Plan Results

The results of the UPR Fiscal Plan for 2021 include \$107 million in Revenue Enhancement Measures and \$164 million in expense controls by the end of FY'21 for a total measures impact of \$259 million.

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UPR Fiscal Plan Summary of Measures

(000's)	Measures	CFP FY'21	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26
Revenue Enhancements								
	Increase in Tuition - Undergraduate (net of scholarship fund)	\$54,813	\$55,706	\$71,814	\$77,379	\$79,187	\$81,105	\$83,057
	Reduction in tuition exemptions (considered revenue measure)	18,789	14,453	16,666	17,110	17,277	17,467	17,662
	Increase in Tuition - Graduate (including maintenance & technology fees)	15,961	14,617	12,447	14,173	14,251	14,807	15,368
	Dues and Fees	7,881	7,352	11,470	10,876	10,875	10,887	10,901
	Federal Grants and Contracts	10,000	(4,432)	15,000	20,000	20,000	20,000	20,000
	Trainings, Seminar, & Technical Services - Central Government	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Trainings, Seminar, Tutoring & Technical Services - Dept. of Education	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	Plaza Universitaria Income	-	-	2,000	2,000	2,000	2,000	2,000
	PR Science & Technology Trust patent	1,500	-	-	-	-	-	-
	Total Revenue Enhancement Measures	128,945	107,695	149,397	161,537	163,589	166,265	168,988
Expense Controls								
	HR Optimization: Attrition	100,882	87,837	110,425	115,502	113,710	111,735	109,573
	HR Optimization: Adjustment in Marginal Benefits	23,405	8,044	23,003	23,552	25,131	26,753	28,417
	Centralized Procurement & Contract Re-negotiation	19,858	19,925	19,910	19,963	20,015	20,068	20,068
	Pension Reform	87,100	48,800	83,600	82,400	80,500	78,800	78,800
	Total Expense Controls	231,245	164,606	236,938	241,417	239,356	237,355	236,857
Transformational Enhancements								
	Transformation Plan Implementation Expense	(5,016)	(5,016)	(5,016)	(3,346)	-	-	-
	Implementation expense for Training, Seminars Tutoring	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)	(8,000)
	Total Transformational Enhancements	(13,016)	(13,016)	(13,016)	(11,346)	(8,000)	(8,000)	(8,000)
Total Measures Impact		\$347,174	\$259,286	\$373,319	\$391,609	\$394,945	\$395,620	\$397,846

The results of these measures outlined herein provide a positive Net Cash flow (prior to debt service) and sets the course for adequate reserve funding for future growth.

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UPR Fiscal Plan Baseline with Measures

(000's)	CFP FY'21	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26
Government Appropriations	\$559,875	\$559,875	\$616,584	\$616,448	\$592,800	\$582,516	\$584,502
Operating Receipts	388,467	379,850	411,936	423,435	428,705	433,029	437,330
Intra-Government Receipts	185,699	158,805	171,118	170,178	173,205	176,224	179,348
Total Disaster Relief Receipts	-	43,025	128,530	-	-	-	-
Total Receipts	1,134,040	1,141,554	1,328,169	1,210,061	1,194,709	1,191,769	1,201,180
Operating Disbursements:							
Total Operating Disbursements	(919,558)	(946,296)	(895,505)	(882,215)	(892,554)	(906,764)	(921,601)
Total Disaster-related Disbursements	-	(43,025)	(128,530)	-	-	-	-
Pensions Payment	(121,400)	(159,700)	(121,600)	(120,200)	(120,000)	(119,900)	(119,900)
Capital Expenditures	(30,895)	(5,338)	(30,895)	(30,895)	(31,333)	(31,786)	(32,252)
CW Capital Expenditures	(11,553)	(11,553)	(11,553)	(11,553)	(11,717)	(11,886)	(12,060)
	-	-	(56,675)	(56,539)	(24,945)	(6,458)	-
Total Disbursements	(1,083,406)	(1,165,912)	(1,244,758)	(1,101,403)	(1,080,549)	(1,076,794)	(1,085,813)
Net Cash Flow (before DS)	\$50,634	(\$24,358)	\$83,410	\$108,658	\$114,160	\$114,975	\$115,366
Debt Service Payment	(48,252)	(52,231)	(48,252)	(48,252)	(48,252)	(48,252)	(48,252)
Net Cash Flow	\$2,382	(\$76,678)	\$35,159	\$60,406	\$65,908	\$66,723	\$67,114

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5. Pension Reform & Debt Sustainability

5.1 Pension System Reform

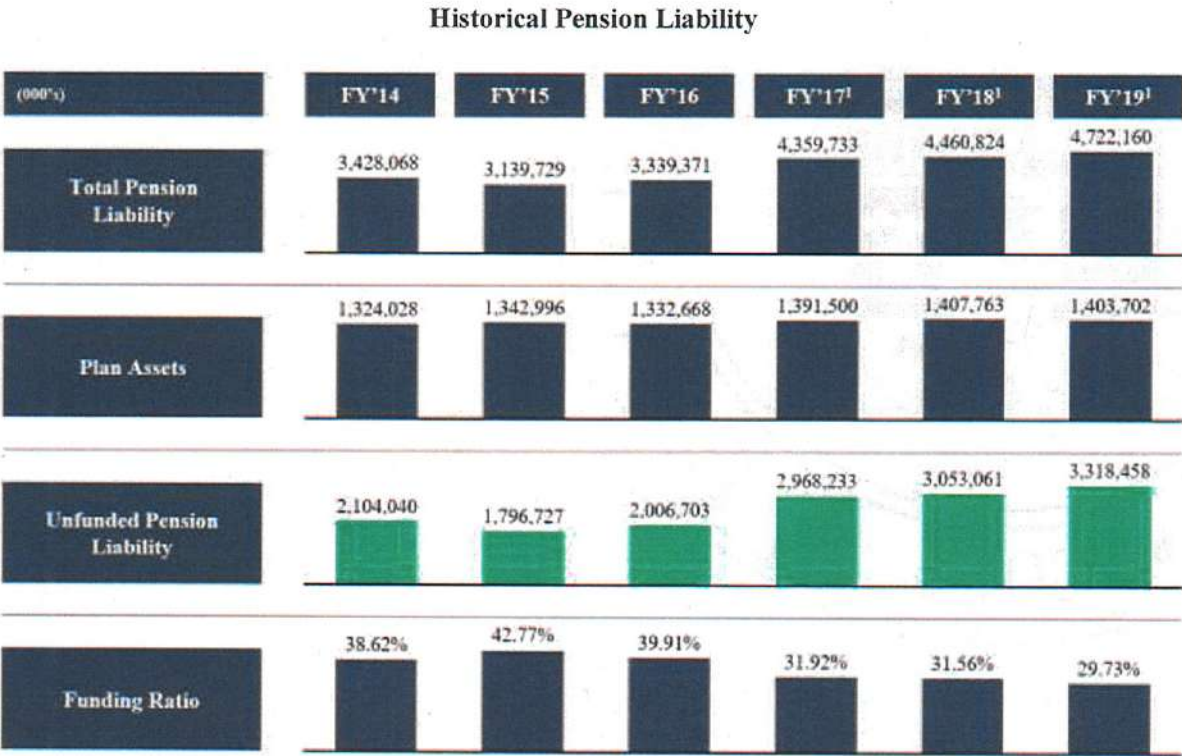
UPR's Background to the UPR Retirement System Reform

The Retirement Committee of the Governing Board has evaluated measures to reform the pension benefits offered to the employees of the University with the following objectives:

- Obtain an adequate baseline to understand and comprehend the financial situation of the University of Puerto Rico's Retirement System ("UPRRS").
- Determine the ability of the University to make employer's contributions consistent with the actuarial models.
- Strengthen the long-term fiscal situation of the University of Puerto Rico by mitigating and eliminating investment and longevity risks.
- Provide funding to the UPRRS to systematically reach 100% funding status and eliminate the total actuarial liability in the long term.

The Pension Reform recognizes the financial, operational, compliance and change management complexities of a highly visible stressed financial situation combined with the need of providing a competitive retirement benefit to the University's employees.

Per the June 30, 2019 Audited Financial Statement, the UPR has a total pension liability of ~\$4.7 billion and an unfunded pension liability of \$3.3 billion, representing a 30% funding status. 88% of the total pension liability is related to retirees and people eligible for retirement.



The UPR historically contributed the estimated amounts recommended by the actuaries. From 1991 to 2018, the University contributed \$1.7 billion to the UPRRS, which is \$55 million above the actuarially recommended amount for the same period. There is an incorrect perspective of some groups that the unfunded pension liability situation started during the last ten years. The unfunded pension liability issue is a plan design problem that was aggravated by historical decisions that provided benefits without adequate financing and that were implemented using optimistic actuarial assumptions from the 90's and 2000's.

The Retirement Committee of the Governing Board was tasked with identifying and correcting optimistic assumptions as well as identifying funds to meet its short- and long-term obligations to the Retirement System:

- The actuarial assumptions were corrected through a 2012-2017 Experience Study conducted by UPRRS Actuaries.
- The Governing Board decided to create a repayment plan to cover the unfunded pension liability in conjunction with measures that mitigate total liability growth.
- The UPR contribution amount of FY'20 was increased to \$160 million to agree with actuarial study recommendations adjusted by the Experience Study.

The UPR has contributed historically significant amounts to the fund the System, additionally the investment returns of the trust have exceeded expected benchmarks in comparison with other pension plans in the Island. As of December 31, 2020, the UPRRS fund assets are at ~\$1.6 billion, an increase of \$200 million compared to the ~\$1.4 billion that were available as of the June 30, 2019 Audited Financial Statements

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UPR Retirement System – Policy Decision

The reforms to the UPRRS are an integral part of the UPR's long term transformation. UPR recognizes the importance of addressing the unfunded pension liability with adequate recurring funding following actuarial guidance.

At the same time, the UPR acknowledges that the commitment of resources towards addressing the unfunded pension liabilities is significant and that it requires a change to the UPRRS to mitigate and eventually eliminate the longevity and market risks associated with a costly defined benefit plan.

For purposes of the Pension Reform, the analyses completed were based in actuarial valuation reports and scenarios prepared by the UPRRS actuaries. The assumptions used are aligned to experience studies that include investment advisors' considerations on investment returns for the future and headcount considerations updated as part of the certified fiscal plan process.

The Pension Reform takes into consideration:

- A 30-year closed amortization period based on assumption based on Actuarial Best Practices beginning on June 30, 2014.
- Level dollar funding since total payroll has been declining.
- Updated census data as of the date of actuarial valuation.

UPR maintains the recommended actuarial rate of return of 6.75% for the Pension Reform. UPR determined that the used rate of return is reasonable based on experience as confirmed by the UPRRS investment advisor and follows actuarial guidance.

The proposed reform measures were discussed as part of a dedicated task force created by the Governing Board's Retirement Committee that included participants from the UPR Governing Board, the UPRRS Board, the University Board, and the Central Administration. The task force had the opportunity to evaluate reform alternatives and results in detail with actuaries and investment advisors. The Governing Board considered the task force feedback in the overall decision process.

UPR proposes a prospective approach to reform the UPRRS that would eliminate the total pension liability, not only the unfunded pension liability portion. In addition, reduces significantly legal risk of changes due to the prospective nature of the proposed Pension Reform. This prospective solution is a partial freeze of the UPRRS.

The UPRRS will be closed effectively December 31, 2021 to all non-vested participants and new employees after that date. Non-vested participants and new employees will participate in a defined contribution plan beginning January 1, 2022. Vested employees in the UPRRS and retirees are not impacted with this prospective change. The UPR commits to funding the UPRRS following a closed 30-year amortization according to actuarial guidance.

The following items summarize the approved key pension reform changes with effective date of December 31, 2021 by UPRRS participant and beneficiary population:

- Non-vested and new employees: 12% of total population. The current UPRRS defined benefit plan closes for non-vested participants and will no longer accepts new employees. Non-vested and new participants will participate of a new defined contribution plan starting January 1, 2022. Non-vested

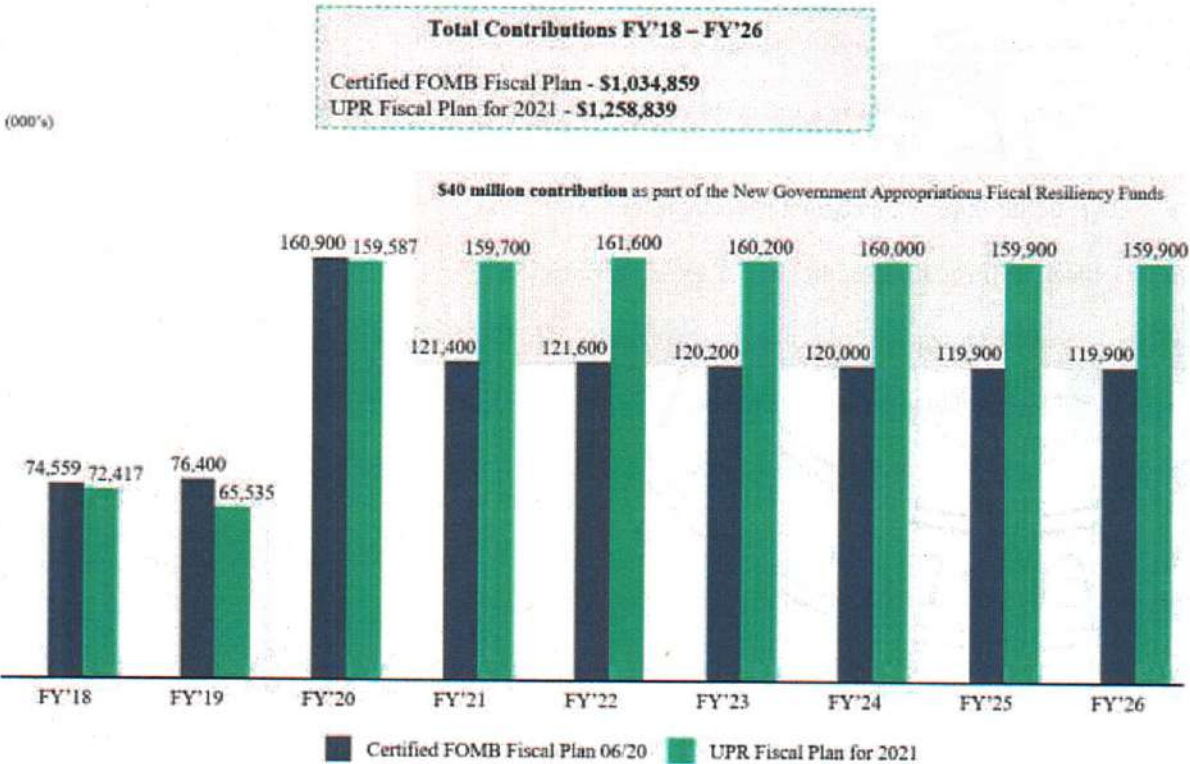
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employee and new employees would contribute 8.5% of their annual salary to a new defined contribution plan. The UPR would contribute a 4.5% annual matching.

- Vested employees: 38% of total population. No impact. Vested employees will continue to participate in the UPRRS following current guidance.
- Retirees: 50% of total population. No impact.

The December 31, 2021 effective date provides time for an adequate educational process and operational transition of non-vested UPRRS participants to the new defined contribution plan.

The UPR is allocating \$160 million to cover the actuarial required contribution to cover the unfunded pension liability.



The amount includes the estimated defined contribution matching. With this reform the unfunded pension liability would be paid in total by 2043. This means that the partially frozen UPRRS defined benefit pension plan would achieve 100% funding status by 2043.

The University strongly believes that the proposed change is the most responsible course of action because it recognizes an appropriate balance between the Institution's mission and a proper transition of retirement benefits to a mature population of employees.

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5.2 Debt Sustainability

UPR has \$395.0 million of outstanding bonds, including \$341.4 million of Series P and Q Revenue Bonds and \$53.6 million of AFICA Bonds, 2000 Series A. Both the Revenue Bonds and the AFICA Bonds are being paid current interest and principal.

- Payments on the Revenue Bonds are made pursuant to a Forbearance Agreement initially entered on August 31, 2017, and recently extended through August 31, 2021.
- The AFICA Bonds are payable from lease payments derived from UPR to DUI with respect to the Plaza Universitaria project.

On June 30, 2016, the Governor of Puerto Rico signed Executive Order No. OE-2016-030 ("EO 30") and Executive Order No. OE-2016-031 ("EO 31") which (i) declared the Government and several of its instrumentalities, including the University, to be in a state of emergency and announced the commencement of an emergency period (as such term is defined in Section 103 of the Act No. 21) for the Government and such instrumentalities, including the University, (ii) extended the state of emergency that had been previously declared for several of the Government's instrumentalities, (iii) implemented a suspension on transfer obligations of the Government and certain of its instrumentalities, including the University, with respect to the transfer of funds to and from such entities (pursuant to Section 201 of Act No. 21), and (iv) implemented a suspension on the payment obligations of debt issued or guaranteed by the Government, as well as the payment obligations of certain of its instrumentalities, including the University. The measures were in place until January 29, 2017.

Specifically to the University, EO 31 established the following: (i) designated any of the University's obligations, pursuant to the Trust Agreement, dated June 1, 1971, as amended, to transfer Pledged Revenues (as such term is defined in the Trust Agreement) to the Trustee as an enumerated obligation (as such term is defined in Section 103 of the Act No. 21); and suspended such obligations of the University to transfer Pledged Revenues to the Trustee, and (ii) designated any obligation of the University pursuant to the Lease Agreement with DUI, dated December 21, 2010, as a covered obligation (as such term is defined in Section 103 of the Act No. 21); and suspended the payment of such obligation of the University. EO 31 did not suspend the payment obligations of the University with respect to any other obligation.

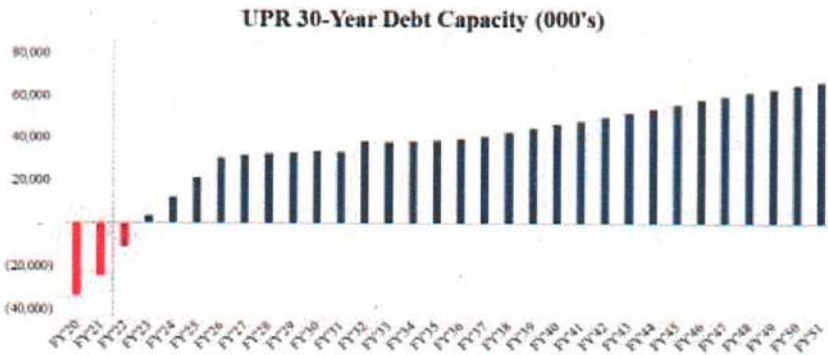
On June 29, 2017, the Trustee and the University, at the direction of FAFAA, entered into a letter agreement (the "Letter Agreement") providing the University will transfer certain amounts in respect of pledged revenue, as defined in the Trust Agreement, to the Trustee, on condition—among others—that through August 31, 2017 (the "Compliance Period") the Trustee will not institute, commence, or continue certain legal proceedings against the University, the Government or any other agency, instrumentality, or municipality thereof except in certain limited enumerated circumstances.

The Letter Agreement has been extended fourteen times and the new Compliance Period is August 31, 2021. Pursuant to the Letter Agreement and the fourteen standstill extension agreements, during the Compliance Period, holders of the majority in amount of the Revenue Bonds and the Trustee at the direction of the University's bondholders will negotiate in good faith towards a restructuring of the Revenue Bonds. In addition, the trustee agreed not to institute or commence certain legal proceedings and the University agreed to transfer the following monthly payments of Pledged Revenues to the trustee to be applied in accordance with the Trust Agreement during the new Compliance Period.

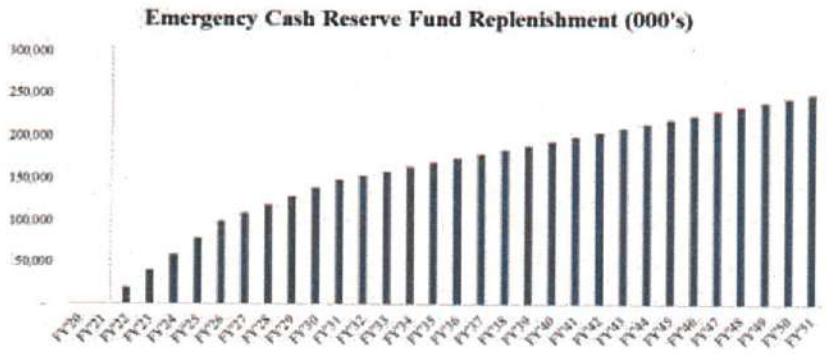
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Discussions with respect to a consensual restructuring of the Revenue Bonds are continuing. Presently, the University has complied with and has made all transfers due under the Letter Agreement, as extended. For FY'21, the University will make transfers to the Trustee totaling \$52.3 million. In addition, the Trustee of the University's Revenue Bonds on behalf of the University has paid, as agreed, the scheduled principal and interest payments on its outstanding Series P and Q Bonds.

The UPR Fiscal Plan for 2021 does not allow for the payment in full of the Revenue and AFICA Bonds. Additionally, unused and/or excess cash reserves have already been used for fiscal plan deficits in the past three fiscal years. Commencing in FY'23, the University would have a limited of amount of excess funds for debt service payments.



The 30-Year Debt Capacity projections consider the New Government Appropriations Fiscal Resiliency Funds for the Replenishment of an Emergency Cash Reserve Fund. The total amount accumulated in the 30-year period would be \$250 million, or 70 days of cash on hand reserves for fixed operating expenses.



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6. Financial Reporting & Governance

Historically, the UPR faced significant challenges meeting financial and performance reporting requirements of the FOMB, the Federal Department of Education and the MSCHE. The UPR Fiscal Plan for 2021 allows the University to continue improving its operating model and optimize its fiscal governance capabilities. Data limitations and disorganized HR/Accounting systems across the 11 campuses delayed compliance with FOMB requirements. As a result, the UPR missed federal deadlines for its FY'18 audited financial statements. Since then, the University proactively tackled the root causes for these delays and set a course for accurate and timely reporting. Current administration initiatives, however, have shifted to:

- Compliance with all FOMB reporting requirements including specific Action Items detailed in the Certified Fiscal Plan. Audited financial statements have been properly and timely published, as required by the Federal Department of Education and other academic accreditation boards, such as the MSCHE.
- The UPR is consistent in its position of contributing necessary funding to the pension plan. During FY'21, the UPR will complete employer contributions of approximately \$160 million and foresees executing another \$160 million contribution by the end of FY'22.
- Over the past years, the UPR has worked towards ensuring an increased administrative agility at Central Administration and the different campuses. It works towards having a more efficient administration with less personnel. Therefore, between FY'18 and FY'21, the UPR experienced a reduction of 2,950 or 23% employees.

The successful implementation of Fiscal Plan measures represents a significant and transformative effort across the 11 UPR campuses and component units. As such, now there are strict reporting requirements needed to ensure savings and revenue targets are being achieved on time, and to identify any major risks to reform to course correct at an early stage.

The reporting requirements detailed below are designed to enable both the UPR project management organization and the FOMB to monitor progress and react to roadblocks proactively. The UPR has achieved full compliance with the FOMB's reporting requirements.

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Reporting & Compliance

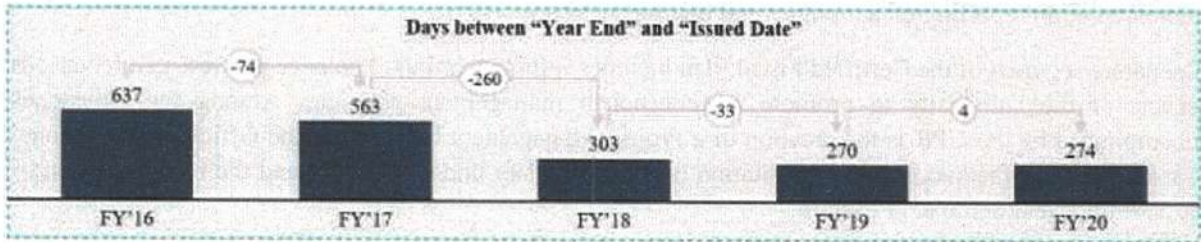
	Report	Recurrence	Status	Comments
1	Enrollment and tuition reporting	Semiannually	✓	• Reporting every 15 th of the month
3	Implementation plan	Monthly	✓	• Reporting every 15 th of the month
4	Monthly implementation status report	Monthly	✓	• Reporting every 15 th of the month
5	Cash reserves	Monthly	✓	• Reporting every 15 th of the month
6	Monthly Budget to Actuals	Monthly	✓	• Reporting every 15 th of the month
7	Liquidity	Annually, reforecast quarterly and reporting monthly	✓	• Currently reporting following FOMB Certified Fiscal Plan
8	Auxiliary Revenue	Monthly	✓	• Reporting every 15 th of the month
9	Quarterly Budget to Actuals	Quarterly	✓	• Reporting every 15 th of the Month after Quarter closing
10	1(C)Component unit report	Monthly	✓	• Reporting every 15 th of the month
11	1(E)Bank account summaries	Monthly	✓	• Reporting every 15 th of the month
12	2(A)Budget to actuals	Monthly	✓	• Reporting every 15 th of the month
13	2(B/C)Payroll and Headcount	Monthly	✓	• Reporting every 15 th of the month

Since its first Fiscal Plan back in FY'18, the UPR has observed strict financial controls and returned to a timelier publication of its Audited Financial Statements. The UPR has been successful in decreasing the number of days between its financial closing period and its publication of Audited Financials. This year will be no exception, with an estimated publication date of March 30, 2021.

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Publication of Audited Financial Statements

FY'16	FY'17	FY'18	FY'19	FY'20
				
Year End – 6/30/2016	Year End – 6/30/2017	Year End – 6/30/2018	Year End – 6/30/2019	Year End – 6/30/2020
Issued Date – 3/29/2018	Issued Date – 1/14/2019	Issued Date – 4/29/2019	Issued Date – 03/26/2020	Expected Date – 03/30/2021



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7. Implementation Progress

The Fiscal Plan has revenue enhancement & expense control measures that have brought \$702 million in income & savings to the UPR. Among the adopted measures are undergraduate and graduate tuition increases of 154% and 58%, respectively. Dues and fees have increased by 57% since FY'18, while a reduction in tuition exemptions have translated into an additional average revenue of \$16 million annually. Measures pertaining to personnel cutbacks have rendered a headcount reduction of over 2,950 employees since December 31, 2017. Another ongoing measure showing promising results are savings achieved through procurement efficiencies. It is worth mentioning, several financial controls for consistent and reliable reporting have been implemented. Currently, the UPR submits to the FOMB all financial and implementation reporting on a monthly and quarterly basis.

A separate segment of the Certified Fiscal Plan includes reforms aiming to balance and restructure various aspects of the University to promote more efficient management practices. Among the milestones accomplished by the UPR is the creation of a Project Management Office (i.e., the Office of Institutional Transformation), the successful accreditation of the University under MSCHE, and the reorganization of the Trainings and Seminars Program.

The Office of Institutional Transformation ("OIT") has been providing support to the Central Administration in the implementation of fiscal measures and reforms across the University in compliance with the annual Fiscal Plans. Through its funding and support, the University has intensified efforts to procure additional federal funds and research grants, ensured compliance with FOMB reporting and action items according to the Certified Fiscal Plans, expanded the Trainings and Seminars Program scope to provide technical services to various agencies, provide the administration with multiple financial analysis, among other.

The UPR has continued to make progress in the publication of its audited financial statements, by significantly reducing the amount of time required for their submittal. It used to take the University over 600 days between its financial closing period and the publication of its audited statements. FY'19 and FY'20 statements are now being published over 365 days earlier.

The UPR Fiscal Plan for 2021 considers the continuity of fiscal and structural reforms already underway that will ultimately complete the UPR's transformation from a highly subsidized institution to a self-sustainable one. As part of the operational reforms impacting the UPR system and to improve oversight and reporting, Central Administration must have visibility over accounting budget and finance, across the 11 campuses and streamline reporting for financial transparency.

The combination of such measures will in turn allow the University to renew its operating model and provide the best outcomes for its students. These outcomes include better job opportunities post-graduation and higher standardized test scores, among others. A re-envisioned University, focused on its strengths and improving student results will ultimately prove a decisive factor for the Island's development, as it is a cornerstone of our human capital development in order to propel economic growth.

The completion of measures established in the UPR Fiscal Plan for 2021 for FY'22 will ultimately have an accumulated impact of \$2.5 billion from FY'19 to FY'26. This represents a 97% of its ultimate target with FOMB established measures from the Certified Fiscal Plan.

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UPR Fiscal Plan Accumulated Measures

